Job Protection Commission

1998 Annual Report

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1998 ANNUAL REPORT

JOB PROTECTION COMMISSION

BRITISH COLUMBIA

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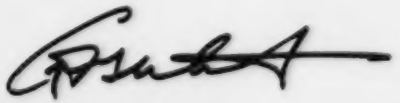
The Honourable Garde Gardom

Lieutenant Governor

Province of British Columbia

May It Please Your Honour:

I respectfully submit to you the annual report of the Job Protection Commission for the period January 1, 1998 to December 31, 1998.



Gordon F.D. Wilson

Minister of Employment and Investment

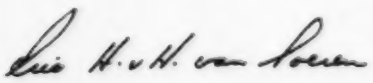
The Honourable Gordon F.D. Wilson

Minister of Employment and Investment

Province of British Columbia

Sir:

I am pleased to submit my report of the activities of the Job Protection Commission for the period January 1, 1998 to December 31, 1998.



Eric van Soeren

Job Protection Commissioner

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Report of the Job Protection Commissioner

The Job Protection Commission (JPC) experienced another year of record breaking activity in 1998. More companies were helped than in any previous year, and the assistance was broadly spread among a variety of industries. We were able to assist companies in forestry, mining, manufacturing, and fish and agricultural products processing.

Much of the JPC activity was driven by low commodity prices for forest products and metals such as gold and copper. The plans we developed often helped the companies reduce their cash costs of operations so they can bridge through to a time when prices rebound from what appear to be cyclical lows. In other cases we helped companies obtain new loans, or deferrals from existing creditors, in the private and public sector. We were also able to facilitate participation by municipalities, the federal government, and several union and non-union work forces. As a result, jobs were maintained at two mines, a fish processing operation, a tree fruit and a lettuce packing plant, and approximately 154 companies that were involved, directly or indirectly, with the forest industry.

The JPC also worked extensively with Forest Renewal BC (FRBC) in 1998 in the delivery of the Credit Enhancement (Emergency) Fund (CEEF). This was a loan guarantee program in the Northwest of the province designed to assist the contractors and other providers of goods and services that had been negatively impacted by the financial difficulties of Skeena Cellulose Inc. Through this program (see page 9) 135 companies received FRBC guaranteed loans in 1998 totaling $24.2 million, and resulting in approximately 1,400 jobs being protected.

Company restructurings that result from JPC economic or mediation plans require the participation of as many of the material stakeholders as possible to make them successful. This year the province provided a larger than average proportion of the new funding or deferrals of existing debt, but it still made up only about a third of the dollars involved in our files. During 1998 the private sector provided approximately 52 per cent of financial commitments. Over the life of the JPC the private sector component has made up approximately 69 per cent of the financial commitments of JPC plans, with the province often adding the incremental assistance to allow a deal to be completed.

The JPC continues to enjoy exceptional cooperation from the many federal, provincial, municipal and private sector organizations with which we interact on a daily basis. As a result, we have been able to develop and bring to completion 13 economic plans, four mediation plans, provide counseling services to 27 companies, and arrange for the provision of loan guarantees to 135 companies through the CEEF program. In total this has helped to maintain 5,663 jobs in B.C. during 1998.

I want to close by acknowledging and thanking the JPC staff of Ed Sorel, Denis MacAree, Art Fink and Janet Friesen for their hard work and perseverance during the year. They have made it possible for the commission to continue to carry out its mandate of protecting jobs in B.C. by helping viable but financially troubled companies restructure rather than close down.

ACTIVITIES SUMMARY

During 1998, the Commission processed 358 enquiries (233 in 1997; 113 in 1996). These resulted in 335 projects/cases.

The Commission helped maintain 5,663 jobs (6,860 in 1997; 5,388 in 1996) in the province through authorized economic and mediation plans, counselling services, and special projects, resulting in 2,223 jobs saved.

Of the 335 projects/cases undertaken during the year, 288 were special projects, and 286 of these were within the contribution agreements with FRBC's Credit Enhancement (Emergency) Fund. The total number of jobs maintained under the Credit Enhancement (Emergency) Fund was 1,387 during the year resulting in a total of 1,880 jobs maintained under the program in the Terrace region.

Since its inception in March 1991, the Commission has received 1,450 enquiries. These led to 916 projects/cases and approximately 16,748 jobs saved. In total, the Commission has dealt with businesses involving 71,524 jobs.

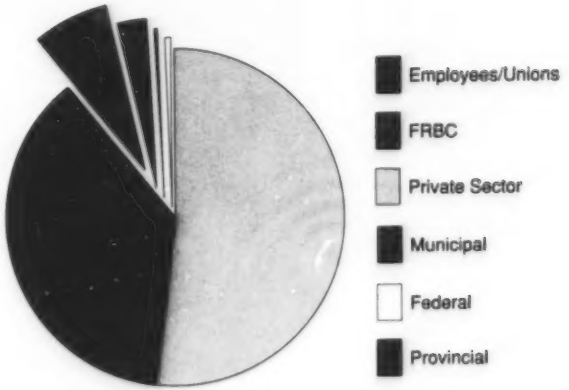
	Jobs
Commission authorized plans	13,699
Counselling	23,265
Current Special Projects	13,806
	50,770

The 535 businesses, organizations and individuals that approached the Commission, but did not proceed to counselling, special project work, mediation or economic plans, involved another 20,754 jobs.

	Jobs
Project/case files	50,770
General enquiry files	20,754
	71,524

The following pie charts represent the level of financial participation in economic and mediation plans by sector for 1998, and for the period of 1991 to 1998:

1998 JPC Financial Participation by Sector



1 = Provincial	2 = Federal	3 = Municipal
4 = Private Sector	5 = FRBC	6 = Employees/Unions

1	Provincial	131,034,000	37.4%
2	Federal	909,000	.3%
3	Municipal	9,857,000	2.8%
4	Private Sector	182,018,031	52%
5	FRBC	24,201,300	7%
6	Employees/Unions	1,945,000	.5%
Total		**349,964,331**	**100.0%**

1991 - 1998 JPC Financial Participation by Sector

1 = Provincial 2 = Federal 3 = Municipal
4 = Private Sector 5 = FRBC 6 = Employees/Unions

1	Provincial	227,037,010	21.4%
2	Federal	9,893,376	1%
3	Municipal	23,821,030	2.2%
4	Private Sector	736,354,468	69.4%
5	FRBC	57,126,166	5.4%
6	Employees/Unions	5,986,000	0.6%
Total		**1,060,218,050**	**100.00%**

EXPENDITURE STATEMENT

Contracted professional services	$684,268
Cost recoveries (General)	(139,061)
Salaries	132,554
Employee benefits	26,818
Travel expenses	9,085
Information services - operating	11,293
Office and business expenses	17,379
Asset acquisition - information systems	6,600
Office furniture and equipment	652
Total	**$749,588**

PROFESSIONAL SERVICES SUMMARY

Consultant	Company
Arthur Fink	Commission Office - Project Analyst
Dale Carter	CEEF 1998 Project
Eric van Soeren	Commission Office - Job Protection Commissioner
Ernst & Young Corporate Finance Inc.	Campbell River Mills
	Quinsam Coal Corporation
	Seanix Technology (Canada) Inc.
Ernst & Young Inc.	Squamish Mill - International Forest Products Ltd.
Erythana Ventures Corp.	J.S. McMillan Fisheries Ltd.
Foodwest Resources Ltd.	Lilydale Food Products
GSG Consortium	B.C. Salmon Fishery
H.A. Simons	P.G. Specialty Wood Products Ltd. and Pacific Precision Wood Products Ltd.
	Thompson Creek Mining Ltd.
H & W Saunders Associates Ltd.	Evans Forest Products Limited
	Fibreco Pulp Mill
	Interact Wood Products Ltd.
	Louisiana-Pacific Corporation
	Pacifica Papers Inc.
Janet Friesen	Commission Office - Office Manager
J.M. Taylor Ltd.	Dezti Wood Ltd.
John Auld & Associates	Enertek Products International Inc.
Kilborn Engineering Pacific Ltd.	Huckleberry Mines Limited
	Imperial Metals Corp. (Mount Polley Mine)
Lucien Lieberman	Adera Nurseries Ltd.
	Cloverdale Lettuce & Vegetable Co-operative
	Five B Product Inc.
M.C.S.I. Consulting Group	Pacific Coast Processors
Mel-West Consulting	Meeker Cedar Products (1967) Ltd./ West Coast Forest Products Ltd.
Mijo Management Ltd.	CEEF 1998 Project
Nicholas Crisp & Associates	Coulson Group of Companies
	Cumberland Wood Industries Ltd.
	Goose Creek Lumber Ltd.
	Mego Wood Products (1989) Ltd.
Peter Drake & Associates	Golden Specialty Wood & Veneer Ltd.
PGBC Consulting Group Inc.	C GED Forest Products Ltd.
R.S. Younker	Creston Co-operative Packers
Wanda Olsen	CEEF 1998 Project

SPECIAL PROJECTS - GENERAL

- Challenges & Opportunities in the BC Salmon Fishery
- Evans Forest Products Ltd.

Challenges & Opportunities in the B.C. Salmon Fishery

In March the new B.C. Ministry of Fisheries, together with the Federal Department of Fisheries and Oceans (DFO), asked the JPC to assess the current state of the commercial and sport fisheries, and the strategic opportunities and challenges that face the salmon fishery in the future. In part, this work was to be a follow up on the 1996 report, commissioned by the JPC, on coastal communities and the B.C. salmon fishery, titled "Fishing for Answers".

The result of the study was a consultant's report titled "Fishing for Money — Challenges & Opportunities in the B.C. Salmon Fishery." It was distributed to the Ministry of Fisheries and the DFO. The information in the report was used as a basis for ongoing negotiations between the two government agencies, and was used to help design responses to the problems faced by the commercial and sport fisheries.

The consultant's report led to a letter from the Job Protection Commissioner to the Deputy Minister of the Ministry of Fisheries and the Director General, Pacific Region of the DFO. This letter made a series of recommendations relating to fisheries restructuring, transition and mitigation of problems expected to be encountered. The recommendations fell into the following broad categories:

- Older worker adjustment;
- Younger worker retraining;
- Licence buy-backs or other fleet restructuring;
- Community economic development;
- Habitat and stock enhancement;
- Development of new sustainable fishing practices;
- Continued assistance through the JPC for financially troubled companies in the commercial and recreational fisheries;
- Resolution of the Pacific Salmon Treaty; and,
- Continued marketing support for the recreational fishery.

The salmon fishing industry continues to experience a wide range of difficulties. The JPC is working with several companies that rely on the salmon fishery, and will continue to monitor progress in the industry.

Evans Forest Products Ltd.

Evans Forest Products Limited (Evans) has had a long history of unprofitable operations. Many reasons have been put forward, but a primary reason is the high cost of logs in the Golden TSA. In 1972 the Mica Dam was built, and the Kinbasket Reservoir was created. When the valley floor was flooded, the most productive timber areas were drowned and the highway system was destroyed. Ever since that time, forestry operations in the area were faced with having to use more expensive and difficult-to-access fibre. Not only was the highway infrastructure destroyed, but the reservoir is of limited use for transportation of logs because it is frozen for part of the year, and the water levels vary so much the rest of the time that constructing log dumps and operating on the lake is a problem.

As part of the Dec. 11, 1996 economic plan for Evans, the province of B.C undertook to review the situation and analyze ways in which the appropriate agencies could mitigate the negative effects of the creation of the Kinbasket Reservoir. An "Infrastructure Review Work Group" of local stakeholders spearheaded this initiative. Members of that work group included the Ministry of Forests (MoF), Ministry of Employment and Investment (MEI), FRBC, local contractors, the Golden value-added sub-committee, BC Hydro, the Columbia Basin Trust, the BC Transportation Financing Authority, and members of the Evans log cost group.

The final report of the group essentially indicated that there were no cost effective major transportation initiatives that could be supported to lower the cost of transporting logs around the Kinbasket. As a result, the JPC was asked by Evans and the MoF to commission a study to determine the incremental cost of harvesting in the Kinbasket, and to comment on whether compensation should be provided to Evans.

The consultant, H&W Saunders & Associates Ltd., found that there were significant incremental costs of harvesting caused by the Kinbasket Reservoir. However, the province and BC Hydro, the beneficiary of the Kinbasket Reservoir through power production, maintained that Evans' predecessor company had been compensated for the loss of access, and no further compensation was offered.

SPECIAL PROJECTS - FOREST RENEWAL BC

(Under Contribution Agreements)

- Credit Enhancement (Emergency) Fund — Overview
- Terrace

Credit Enhancement (Emergency) Fund — Overview

The Credit Enhancement (Emergency) Fund — Terrace (CEEF-Terrace) was established in 1997 in response to problems suffered by the suppliers of goods and services to Skeena Cellulose Inc. (formerly Repap BC). It was delivered by the JPC, funded by FRBC, with money being distributed and the loans managed by the Northern Savings and the Bulkley Valley Credit Unions.

That program was successful in maintaining 493 jobs, but ongoing difficulties required an expansion of the program. The 1998 CEEF-Terrace program was still delivered by the JPC and funded by FRBC, but now the Royal Bank of Canada, the Bank of Nova Scotia, the Bank of Montreal, the Canadian Imperial Bank of Commerce and the Toronto Dominion Bank joined in funding the loans.

During 1998, 286 applications were received. Of those, the CEEF-Terrace program provided loans to 135 locally owned and operated businesses in the northwest of the province that were negatively impacted by the Skeena Cellulose Inc. insolvency. The total funding during 1998 was $24,201,300.

These loans resulted in protecting approximately 1,387 jobs.

Credit Enhancement (Emergency) Fund

Terrace

Approved Applicants

Acadia Northwest Mech. Inc.
All West Trading Limited
Amabolins Construction
Applied Ecosystem Management Ltd.
Aqualake Logging
B.C. Automotive & Industrial Supply Ltd.
Beckers Alpine Cedar Products Ltd.
Blue Lakes Heavy Hauling Ltd.
Blue Sapphire Contracting Ltd.
Borden Lake Contracting Ltd.
Brian Labby & Sons Contracting
Briela Logging Ltd.
Bro Enterprises Ltd.
Brown Bear Trucking Ltd.
Bruce Parker Cont. Ltd.
Canadian Heli Log Ltd.

Canoe Creek Logging Inc.
Canymex Silviculture Ltd.
Cedar River Timber (1971) Co. Ltd.
Cedarland Tire Services Ltd.
Cliff's Trucking
Cole Petroleums (B.C.) Ltd.
Corduroy Creek Contracting Ltd.
D.K.F. Holdings Ltd.
D.R. Holtom Ltd.
Dave Armstrong & Sons Ltd.
Deacon Dark Ent. Ltd.
Dean Ganson, dba Tetana Ventures
Dee-Jay Trucking Ltd.
Dekko Log Scalers Ltd.
Dem Brine's Own Logging Ltd.
Dennis Booth Contracting
Dineen Contracting
Don Hull & Sons Contracting Ltd.
Doug Bloomfield Contracting
Duane Contracting Ltd.
Dykens Bros. Logging Ltd.
E. Back & Sons Contracting Ltd.
E.J. Kerby & Sons Ltd.
Earl Muldon Contracting
Ed Moore Contracting Ltd.
Elsworth Bros. Logging Ltd.
Geraco Enterprises Ltd.
GERS Electrical Repair & Service Ltd.
Gitlakdamix Council
Grassy Creek Log Ltd.
Helps Logging Ltd.
Houlden Logging Ltd.
Hovland Contracting Ltd.
Interpac Forest Products Ltd.
J.L. Excavating
J.L. Hagen Contracting
J.R. Hagen Logging Ltd.
Jasak Logging Ltd.
K'Shian Logging & Construction Ltd.
Kahum Tire Service Ltd.
Karl Forsyth Contracting
Kispiox Band Council
Kitsumkalum Band Council
Korsen Contracting Ltd.
Kuldo River Logging Ltd.
Ky-Bre Trucking
L & J Logging Ltd.
L & L Contracting
L.T. & Son Trucking
Larry Wookey Enterprises Ltd.
LDR Logging Ltd.
Lloyd Motz Contracting Ltd.
Long's Logging
Magnum Road Builders Inc.
Maillot Trucking Ltd./Maillot & Son Logging
Main Logging Ltd.
Mark Wolfenden
Mattson Contracting Ltd.
Minute Muffler & Brake
Monte Lake Welding Ltd.
Moose Mountain Falling Ltd.
MRF Ventures
Na-Hani Logging Contracting
Nor-Am Enterprises Ltd.
North Coast Equipment Ltd.
Northcoast Rentals (1984) Ltd.
Northern Tire & Rubber Co. Ltd.
Northland Universal Gen. Contracting
P & D Berfelo Properties Ltd.
P & H Trucking Ltd.
P.L. & L. Contractors Ltd.
P.M.G. Trucking
Paul Ranahan & Son Contracting
Peg-Bin Enterprises Ltd.
Pinenut Contracting
R. Carle Contracting Ltd.
R. King & Sons Trucking Ltd.
R.C. Mobile Services
R.D. Brown Contracting Ltd.
R. Kluss Trucking

R.R. Simms Trucking
Randy Heaman Trucking Ltd.
Rayell Logging Ltd.
River Industries (Terrace) Ltd.
Ross Fillion Trucking Ltd.
Rudon Enterprises Ltd.
Seaton Timber Inc.
Shearwater Towing Ventures Ltd.
Skeena Project Services Ltd.
Slender Lake Ventures Ltd.
Soucie Construction Ltd.
Spring Creek Contracting Ltd.
Suhan Contractors Ltd.
Swan Lake Contracting Ltd.
Sygnet Construction
T-Rex Ventures Ltd.
T.J. Webster Contracting Ltd.
Tea Creek Trucking Ltd.
Terrace Builders Centre Ltd.
Terrace Pre-Cut Mill Ltd.
Terrace Totem Ford Sales Ltd.
Terrace Truck & Diesel Ltd.
Thorsen Trucking
Totem Enterprises Ltd.
Triantha Enterprises Ltd.
Tyee Building Supplies Ltd.
Tymoschuk Agencies Ltd.
Valley Metals Co. Ltd.
Van Dyke Camp Services Ltd.
Vic Froese Trucking Ltd.
Wayne Hansen Construction Ltd.
Wayne Norton Trucking
Western Pacific Maintenance Ltd.
Western Scale Co. Ltd.
Western Seaboard Transport Inc.
White River Helicopters Inc.
Wilfred Walker Enterprises Ltd.
William T. Simms
Woodina Forestry Service

Total guaranteed loans applied for:	$37,118,396
Total amount approved:	$24,201,300

APPROVALS COMPLETED

- **Economic Plans**

  C GED Forest Products Ltd.
  Coast Mountain Hardwoods Inc.
  Coulson Forest Products Ltd.
  Creston Co-operative Packers
  Huckleberry Mines Limited
  Imperial Metals Corporation
  (Mount Polley)
  International Forest Products Ltd.
  J.S. McMillan Fisheries Ltd.
  P.G. Specialty Wood Products Ltd.
  and Pacific Precision
  Wood Products Ltd.
  Rebco Wood Products Ltd.
  Skeena Cellulose Inc. #3
  Skeena Cellulose Inc. #4
  West Fraser Timber Co. Ltd.

- **Mediation Plans**

  Cloverdale Lettuce &
  Vegetable Co-operative
  Goose Creek Lumber Ltd.
  Rebco Wood Products Ltd.
  Sonax Furniture
  Manufacturing Limited

C GED Forest Products Ltd.

C GED Forest Products Ltd. (C GED) is a company owned by the people of the Gitwangak Band. C GED acquired the assets of Westar Timber Kitwanga Sawmill in June 1993. In mid 1995, the company was granted Forest Licence A48704 in the Cranberry Timber Supply Area which entitled it to harvest 100,000 m3 /year for six years. The intention from the outset was that C GED would provide employment for approximately 100 band members both at the sawmill and in the woodlot operations.

Since acquiring the mill, the company encountered a series of hurdles which impacted negatively on its economic fortunes. These included the lack of conventional bank financing, a reasonably priced and sustained log supply, a rapid increase in logging costs and management turnover.

In late 1996, the officers of C GED contacted the JPC as the financial burdens had left the company without both the required working capital and funds necessary to undertake capital improvements to the mill which were needed to increase quality and efficiency. The company had a substantial debt load in excess of $3 million, the equity base had been completely eroded and the mill was no longer operating.

In early 1997, the JPC engaged Mijo Management Ltd. to undertake a business valuation on C GED to determine what solution, if any, could be found to the problems the company faced. The consultant produced a report in May 1997 along with a subsequent one in September. In this plan, C GED would upgrade its planer, install a whole log chipper and obtain a Standing Green Export Permit to export up to 25 per cent of its AAC. The whole log chipper would be utilized to do custom chipping for Skeena Cellulose while the profits from the exporting of logs would be used to reduce the company's debt problem over a number of years. In Dec. 1997, it was apparent that the C GED board of directors was discontented with the plan proposed by Mijo because C GED would no longer operate the sawmill.

In Jan. 1998, C GED spokesmen met at the office of the JPC with representatives from the provincial government and the JPC. The result was that the JPC agreed to underwrite

the cost of engaging another consultant to work with C GED to develop a viable business plan. The consultant, PGBC Consulting Group Inc. of Prince George, worked with company officials on the business plan, but was unable to complete the project because of the lack of the necessary historical operating information on the mill to support the financial projections. This material was necessary to validate the projections, especially in terms of the lumber recovery factor. Without this backup, any potential lender would remain uncertain of the ability of the mill to perform as per the plan. In order to obtain this data it was necessary to operate the mill on a one month trial basis which would involve the milling of approximately 17,000 m3. The financial situation of C GED precluded it from self-financing the trial run. In anticipation of undertaking the trail run, C GED did start up the mill, and did manage to cut approximately 4,000 m3 of wood that had been harvested in 1997, and was sitting in the yard for several months. This was a short-term situation but it did confirm the ability of the operators to process wood if funding could be accessed for the trial run.

The purpose of this economic plan was to set up a system which would permit the company to undertake the trial run and thus ascertain the efficiency of the mill. Upon completion of the task, the consultant would be in a position to complete the business plan.

Components of the Plan:

1. C GED Forest Products Ltd. agreed to undertake the trial run of approximately 17,000 m3 through the Kitwanga mill and maintain the records specified by PGBC Consulting necessary to complete the business plan.

2. MEI agreed to provide a working capital loan of up to $725,000 to C GED Forest Products Ltd. to undertake the trial run.

3. Ministry of Forests agreed to approve the Standing Green Export Application of C GED Forest Products Ltd. to allow for export of up to 14,000 m3 of the estimated 31,000 m3 it would harvest in conjunction with the trial run, and agreed that payment of the stumpage attached to the estimated 17,000 m3 consumed in the trial run, would be deferred and added to the present stumpage account of C GED Forest Products Ltd.

4. Ministry of Energy and Mines and Northern Development agreed to endorse the plan.

5. BC Hydro agreed to reconnect power immediately to C GED Forest Products Ltd. on the condition that if the trial run proceeded, the monitor would ensure that all the charges after reconnection and during the period of the trial run would be paid. All charges for power consumed prior to the reconnection would remain deferred during the period of the trial run.

Date Authorized: July 30, 1998
Date in Force and Effect: Sept. 21, 1998

Coast Mountain Hardwoods Inc.

Coast Mountain Hardwoods Inc. (CMH), formerly Norvik Hardwoods Inc., was incorporated in Dec. 1991. CMH operates a full phase hardwood manufacturing facility on

25 acres of land located in Delta, fronting on the Fraser River. It provides employment for approximately 170 people. The facility is dedicated to the production of hardwood, mostly alder, which supplies the furniture manufacturing industry, primarily in the U.S., Europe and Asia. Other products consist of pallet cant stock sold locally and hardwood chips sold to the Japanese. CMH is the only dedicated major producer of alder in B.C.

In early 1998 the company negotiated a new banking connection to provide improved operating accommodation and to restructure a number of old outstanding debts. The amount of the new financing appeared appropriate when negotiated early this year. Unfortunately, concurrently with the finalization of financing, the company experienced a downturn in sales. To avoid shutting the operation inventory levels were permitted to increase, thereby straining the cash position. Prices remained relatively firm. The major distributor believed this to be a temporary situation and continued to produce for its own account in anticipation of "catch-up" purchase orders. For CMH, with limited resources to fall back on, a slowing of cash flow was a major concern.

Subsequent to the request for assistance from the JPC, the shareholders made arrangements to provide $1 million US financing by purchasing inventory. In addition, the terms on which the inventory was sold provided for its disposal to be delayed until the following spring to avoid any major reduction of CMH's normal sales. The availability and terms of this funding will provide reasonable ability for the operation to continue on a single shift basis. Double shift operation would be instituted as soon as market conditions improved sufficiently.

In order to comply with their banking agreement, the company required formalized arrangements to extend the payment of property taxes ($218,093 plus 10 per cent in penalties) that were due on July 1, 1998. The tax deferral would help to conserve cash and provide a margin of comfort as market conditions improved. This economic plan was developed to describe the concessions requested of the owners and the Corporation of Delta.

Components of the Plan:

1. The Corporation of Delta agreed to defer outstanding property taxes, including penalties, as of Sept. 2, 1998, plus interest accrued at the prescribed rate, until July 2, 1999, to be repaid on a monthly basis commencing Sept. 1, 1999. As long as the repayment schedule was kept current, they also agreed not to charge a penalty on the 1999 current taxes.

2. Advent International (Canada) Inc. through the related International Network Fund purchased inventory valued at $1,000,000 US, and agreed that the said inventory would be located at CMH's facilities and held there until March 1999 to avoid disruption to CMH's regular market.

3. Coast Mountain Hardwoods Inc. agreed to pay the 1998 taxes plus penalties and interest on or before July 2, 1999, and to pay 1999 taxes in ten equal installments of principal plus interest at the prevailing rate on the first day of each

month commencing Sept. 1, 1999. They also agreed to try to make accelerated payments under the tax deferment agreement as cash permits, to maintain the present single shift operation on an uninterrupted basis, and to institute a full or partial second shift as soon as possible.

Date Authorized: Sept. 10, 1998
Date in Force and Effect: Nov. 23, 1998

Coulson Forest Products Ltd.

The Coulson Group of companies is comprised of the following corporations:

- Coulson Forest Products Ltd.
- Hecate Logging Ltd.
- Coulson Aircrane Ltd.
- Canadian Aero Technologies
- Coulson Manufacturing Ltd./ C. Mokko Manufacturing Ltd.
- H.M. Processing Ltd.
- Echa-Peh Forest Products Ltd.

The integrated operations of the Coulson Group have been both its strength and its weakness. When the forest industry experiences an upside in the business cycle, Coulson's harvesting and milling operations compliment each other despite the substantial investment and debt load. In downturns in the cycle, the inability to utilize the capital assets productively and service the large debt load acquired to undertake the capital programs places the overall operation at risk.

The Coulson Group was struggling over the past two years due to a weak market and higher operating costs. Coulson Manufacturing Ltd., as the operator of the value added sawmill in Port Alberni employing 87 workers, made a corporate decision this year to turn its operation into a custom cutting plant in order to maintain cash flow on a fee for service basis and thus avoid the risks associated with carrying and selling its own inventory into a slumping marketplace. The company had an agreement with MacMillan Bloedel (MB), wherein Coulson would sell its western red cedar standard and highgrade logs to MB, in return for MB directing a specific amount of fibre back to Coulson for custom cutting and processing.

Despite this arrangement, the Coulson Group still found itself with a significant amount of its fibre (primarily hembal and cypress) which it could not sell in the domestic market other than as pulp. Given this situation, the company could no longer harvest the species of saw logs which were in limited demand in the current domestic market and which if they could be sold would be at a price which did not cover harvesting and stumpage costs.

The company proposed that it be allowed to export up to 53,336 m3 before March 31, 1999. This was surplus to the needs of its manufacturing facilities, which would continue to maintain its existing levels of employment. The company would pay the full existing rate of stumpage on all wood harvested and any net accounting profits (log revenue less harvesting costs plus stumpage) over the period would be returned to the province through a fee-in-lieu of manufacturing.

Unless relief was received, the Coulson Group projected it would face losses over the next six months in excess of $2.5 million based upon the current domestic log prices and the company's historic harvesting costs and the prevailing stumpage rates. The group could not afford to sustain losses of this magnitude. Faced with this prospect, the principals of Coulson would need to evaluate their options, which would

include closure and downsizing.

In order to assess the proposal, the JPC engaged a consultant (Nicholas Crisp & Associates) to review the revenue and harvesting cost material supplied by the company. His report stated that on the basis of exporting approximately 55,000 m3 of logs over the next six months, the Coulson Group could reduce its losses on harvesting to about $1 million.

Components of Plan:

1. Ministry of Forests agreed to prepare an Order-in-Council in respect of a Standing Green Application for Coulson Forest Products Ltd. to allow it to export up to 53,336 m3 of the estimated 104,000 m3 it would harvest until March 31, 1999 and take it forward to Cabinet with a favourable recommendation for approval. It also agreed to waive the fee-in-lieu of manufacturing charge until the net profit from the export of logs exceeded the net loss from the domestic sale of logs, in which case, the resultant net profit should be applied to this fee.

2. Coulson Forest Products Ltd. agreed to continue operating its sawmill and maintain its current level of employment during harvesting. It also agreed to provide MoF on a monthly basis with revenue and expense documentation on all logs exported and sold domestically for the purpose of calculating if there were any net profits, to keep its stumpage account current at all times, and to provide the monthly operating results to IWA Canada Local 1 - 85.

3. IWA Canada Local 1 - 85 agreed to endorse this proposal, specifically the granting of the Standing Green Export Application on the provision that the operating results be made available by Coulson Forest Products Ltd. to Local 1 - 85 each month for its review and that present employment levels be maintained.

4. Royal Bank of Canada agreed to continue to provide, through March 31, 1999, credit facilities to the Coulson Group of Companies subject to the terms and conditions of each agreement made between the Royal Bank and any one or more of the Coulson Group of Companies and the Royal Bank's normal risk criteria and policy existing from time to time.

Date Authorized: Nov. 13, 1998
Date in Force and Effect: Nov. 20, 1998

Creston Co-operative Packers

Creston Co-operative Packers (CCP) is a fruit processing co-operative established in 1966. It has 32 member growers who produce apples and cherries which CCP packs.

CCP is managed by a full time General Manager, and has three full time employees. During the apple and cherry packing season up to 80 seasonal staff are employed.

CCP has seen its volume of apples delivered for processing reduced over the past few years due in part to a strategy to improve the profitability of the orchards by removing old trees and undertaking a replanting program. Other reasons included poor horticultural practices, roadside sales and growers shipping product directly to the Okanagan in search of a better financial return than could be provided by CCP. While

the replanting of apple orchards would in time result in an increased crop of apples, CCP had to cope with the intervening period until the trees mature and produce fruit. In addition to the apples, growers in the Creston Valley invested extensively in a cherry planting program which was projected to increase the expected volume from 821,000 pounds in 1989 to 3,262,950 pounds in 2005. While this growth potential represented an economic opportunity to CCP, the inherent difficulty facing the business was surviving until both the increased apple and cherry crops come to fruition.

In order to augment the income derived from its current reduced fruit pack, CCP expanded its activities to include the following: renting warehouse space for normal and cold storage, and acting as a distributor of herbicides, pesticides and fertilizers for member growers.

This economic plan sought to provide CCP with the opportunity to continue operations until the fruit from the recently planted orchards came on stream. After a thorough review by an independant consultant, R.S. Younker, the JPC believed that through a combination of loans with extended terms of repayment, deferrals of portions of the tax and utility charges, the execution of a new collective agreement and improved management practices this could be achieved.

Components of the Plan:

1. MEI agreed to provide a provincial guarantee in support of the Canadian Imperial Bank of Commerce in Creston, making a term loan of $100,000 to CCP. The bank increased the existing term loan(s) to CCP by $100,000 from $815,000 to $915,000.

2. Ministry of Agriculture and Food agreed to endorse the plan.

3. Canadian Imperial Bank of Commerce agreed to provide an operating facility of $300,000 and total term facilities of $915,000 to CCP.

4. CCP agreed to provide interim quarterly financial statements to the province of B.C. during the term of the loan, and to enter into a Letter of Understanding with the United Food and Commercial Workers Union - Local 2000 relative to changing the terms of cherry processing in 1998. They also agreed to try and enter into a strategic alliance with an organization, such as Okanagan Similkameen Co-operative Growers Association, acceptable to the Ministry of Agriculture and Food, and to acquire agreement from its membership to restructure the co-operative with the assistance of, and to the satisfaction of the Ministry of Agriculture by June 30, 1999.

5. West Kootenay Power agreed to defer 50 per cent of the monthly billings of CCP from Aug. 1, 1998 up to and including July 31, 2001. Effective Aug. 1, 2001, West Kootenay Power will add 1/24 of the total deferred to the monthly billings, up to and including July 31, 2003.

6. Regional District of Central Kootenay agreed to endorse the plan.

7. The province of B.C., as represented by the Ministry of Finance and Corporate

Relations, agreed to defer 50 per cent of the annual rural property tax for the 1998, 1999 and 2000 tax years.

8. United Food and Commercial Workers Union - Local 2000 agreed to endorse the plan.

Date Authorized: May 29, 1998
Date in Force and Effect: Sept. 8, 1998

Huckleberry Mines Limited

The Huckleberry Mine is an open pit copper/molybdenum mine located approximately 130 km due south of Smithers and 86 km southwest of Houston, in West-Central British Columbia. The mine commenced commercial production in October 1997 and had a scheduled mine life of 14 years of continuous production through to the year 2011. In 1998, the mine employed 172 people directly (annual payroll $11.5 million) with an additional 40 people employed indirectly under full-time contracts for camp catering, explosives manufacturing, bus transportation and concentrate haulage to Stewart.

Huckleberry Mines Ltd. ("HML") is 60% owned by Imperial Metals Corporation and 40% by Mitsubishi Materials Corporation, Dowa Mining Co. Ltd., Furukawa Co. Ltd. and Marubeni Corporation (the "Japan Group").

The total project cost, including exploration, feasibility study and development costs, of approximately $176 million was financed through an equity contribution of $18US million and a loan of $60US million from the Japan Group, a loan of $15Cdn million from the Ministry of Employment and Investment ("MEI") to finance the development of infrastructure associated with the project; and an equity contribution of $27US million from Princeton Mining Corporation.

In addition, Marubeni Corporation provided a working capital loan of $10US million.

Project economics were originally based on a copper price of $1.00/lbUS and a molybdenum price of $5.00/lbUS. However, since May 1997 there was a significant decline in copper prices with the rate at the time the plan was developed at approximately $0.76/lbUS. Molybdenum was trading at $3.60/lbUS.

In March 1998, the Job Protection Commission undertook an independent assessment and evaluation of the Huckleberry Mine and began developing an Economic Plan. The consulting firm of Kilborn Engineering Pacific Ltd. was engaged to conduct an analysis of the operational and financial viability of the mine. The consultants concluded that the mine would be viable under normal operating conditions. To improve cash flow during the period of low metal prices, concessions would be required in expenses such as power, consumable supplies, outside services and property taxes. Additional concessions in terms of restructuring of the long-term debt would also be required to keep the mine operating and preserve the 172 direct jobs.

The purpose of this Economic Plan was to define what commitments were necessary from the various stakeholders to enable the Huckleberry Mine to continue operating while metal prices were low.

Components of the Plan:

1. Huckleberry Mines Ltd. agreed not to remove any funds currently advanced to the project by the investors or

shareholders, until deferred amounts were repaid. It agreed to negotiate discounts on goods and services supplied to the project. It also negotiated a permanent rollback of 3% of employee benefits for all staff and a further 5% rollback of employee benefits for all staff for a period of two years. The deferred rollback would be repaid during the following two years of the Plan. HML further agreed to employ reasonable commercial efforts to maintain operations and to postpone dividend payments during the term of the plan.

2. Imperial Metals Corporation agreed to maintain the current level of support to HML by way of shareholders loans, guarantees or other investments.

3. Mitsubishi Materials Corporation, Marubeni Corporation, Dowa Mining Co. Ltd. and Furukawa Co. Ltd. ("Japan Group") accepted certain deferrals of principal repayments on advances to Huckleberry until June 14, 2004. The deferred payments totaling US $13.75 million would be paid at $5US million semi-annually until paid in full.

4. The Province of British Columbia through the Ministry of Employment and Investment, agreed to a deferral of principal repayments on its $15,000,000 loan, and to extend the term of the loan to accommodate the deferrals. The Province also arranged for the final drawdown of the previously approved loan.

5. The Province of British Columbia through the Ministry of Finance and Corporate Relations, agreed to defer 50% of the provincial portion of the annual property taxes applicable for two years with repayment of the deferred amount in each of the following three years.

6. The Province of British Columbia through the Ministry of Energy and Mines, agreed to reduce by 50% the mine health and safety inspection fees for a period of 2 years. It also agreed that there would be no increase in the reclamation bonding requirement for a period of 2 years, provided there was no material change in the mine plan that would significantly increase the potential liability to the Province.

7. B.C. Hydro and Power Authority agreed to provide HML with a reduction of 50% in hydro costs for power used in the operation of the mine for a period of up to two years. This discount might be reduced, canceled or recaptured, by the Job Protection Commissioner, depending on the fluctuating prices for metals and the exchange rate, in accordance with an agreed upon formula. They also agreed that any recapture of funds as a result of major metal price increases or currency fluctuations, will not be due until all term loans to existing lenders are paid in full.

8. The District of Houston agreed to defer 50% of the District's portion of the property taxes, applicable for two years with repayment of the deferred amount in each of the following three years.

Date Authorized: July 6, 1998
Date in Force and Effect: July 24, 1998

Imperial Metals Corporation (Mount Polley)

The Mount Polley Mine is an open-pit copper-gold mine located 56 km northeast of Williams Lake in south central B.C., and employs approximately 165 people. The project is a joint venture partnership between Imperial Metals Corporation (IMC) of Vancouver, B.C. (55 per cent) and Sumitomo Corporation of Japan (45 per cent) through its wholly owned subsidiary SC Minerals Canada Limited (SCM). The project was financed by equity contributions of $14 million from IMC and $11.5 million from SCM and loans from Sumitomo Corporation of $39.5 million US to IMC and $30.7 million US to SCM.

Construction of the mine commenced in May 1996 and was completed in June 1997 at a total development cost of $115 million. IMC operated the mine on behalf of the joint venture through its wholly owned subsidiary, Mount Polley Mining Corporation.

In 1995, a feasibility study was undertaken to assess the potential of the site. The study used conservative price estimates on gold and copper of $380/troy ounce US and $1.00/lb. US respectively, at a time when the price of these metals was $385/troy ounce US and $1.36/lb. US respectively. The price for gold when the plan was developed was $295 while copper was at $0.75. At these prices, the mine did not generate sufficient cash flow to service its term debt. It had been the intention to mine the high-grade ore and pay off the term debt within the first three years, leaving the mid-grade and low grades for later. The investors requested that the mine be closed to conserve the high-grade deposits until prices rise again. Metal prices are cyclical and were low, but they were expected to strengthen in the coming months. The JPC was asked to review the feasibility of keeping the mine operating while prices remained low.

In March 1998, the JPC undertook an independent assessment and evaluation of the Mount Polley Mine and began developing an economic plan. The consulting firm of Kilborn Engineering Pacific Ltd. was engaged to conduct the study, which consisted of a review and analysis of the operational and financial viability of the mine. The consultants concluded that the mine operation could still be viable if more ore was processed through the concentrator and some high grading was practiced until metal prices recovered. Remedial action was already being implemented in these areas. To improve cash flow, concessions would also be required in expenses such as power, consumable supplies, outside services, payroll and property taxes. The repayment of the term debt would require restructuring.

Imperial issued a press release on April 6, 1998 and notified their employees of the intended closure of the mine on July 31, 1998. An alternative to the closure would entail a restructuring of the project's finances with some form of financial assistance from the province.

The purpose of this economic plan was to define what commitments were necessary from the various stakeholders to enable the Mount Polley Mine to continue operating while metal prices were down.

Components of the Plan:

1. Mount Polley Holding Company Limited (MPH) agreed to employ reasonable commercial efforts to maintain mine operations at the Mount Polley mine site during the term of the plan. They agreed that there would be no repayment of funds currently advanced to the project by the investors or shareholders, until deferred amounts

were repaid, without the prior written consent of the Job Protection Commissioner. A negotiated roll back of 10 per cent in wages for union members and in salaries for all non-union staff would be arranged for a period of two years. These deferred wages and salaries would be repaid during the following two years of the plan. They also agreed to postpone all dividend payments, repayment of shareholders' loans or any other removal of equity from the company, and defer making any advances or loans to the related companies except as provided for in this plan, without the prior written consent of the Job Protection Commissioner.

2. Imperial Metals Corporation (IMC) agreed to maintain the current level of support to MPH by way of shareholders loans and/or guarantees or other investments, and to accept a deferral of 60 per cent of the annual principal repayment in 1998 and 1999 of approximately $11 million on the shareholders loan that was financed by Sumitomo Corporation. Repayment of these deferrals would be made in three annual installments commencing in year three of the plan. They also agreed to negotiate discounts on goods and services supplied to the project, which was estimated to save two per cent of the amount of the contracts or approximately $200,000.

3. SC Minerals Canada Limited agreed to maintain the current level of support to MPH by way of shareholders loans and/or guarantees or other investments, and to accept a deferral of 60 per cent of the annual principal repayment in 1998 and 1999 of approximately $9 million on the shareholders loan that was financed by Sumitomo Corporation. Repayment of these deferrals would be made in three annual installments commencing in year three of the plan.

4. Sumitomo Corporation agreed to maintain the existing level of advances to IMC and SCM of approximately $98 million, and to accept a 60 per cent deferral of the yearly principal repayments on the IMC and SCM loans of approximately $20 million for a period of two years. Repayment of these deferrals would be made in three annual installments commencing in year three of the plan. They also agreed to waive their annual marketing fee of $206,000 on concentrate sales for a period of two years.

5. Cariboo Regional District agreed to defer 50 per cent of the District's portion of the property taxes for each of 1998 and 1999, with repayments of the deferred amount in each of 2000, 2001 and 2002.

6. The province of B.C. through the Ministry of Finance and Corporate Relations agreed to defer 50 per cent of the provincial portion of the annual property taxes applicable for each of 1998 and 1999, with repayment of the deferred amount in each of 2000, 2001 and 2002.

7. The province of B.C. through the Ministry of Energy and Mines agreed that there would be no increase in the $2.5 million Reclamation Bond required for the Mount Polley Mine for the term of the plan, and to arrange for the replacement of the Cash Bond for a Surety Bond, in a form and amount

which was acceptable to the province. They also agreed to reduce by 50 per cent the mine health and safety inspection fees estimated at $90,000 per annum for a period of two years.

8. The province of B.C. through MoF agreed to reassess the stumpage of $173,000 charged on immature timber that was removed from the lease in anticipation of mine operations, down to zero.

9. BC Hydro agreed to provide MPH with a reduction of 50 per cent in hydro costs for power used in the Mount Polley Mine for a period of up to two years from July 1, 1998 to June 30, 2000. This discount might be reduced, canceled or recaptured, by the Job Protection Commissioner, depending on the fluctuating prices for metals and the exchange rate, in accordance with an agreed upon formula. They also agreed that any recapture of funds as a result of major metal price increases, would not be due and payable until the term loans from Sumitomo Corporation were paid in full.

10. Workers' Compensation Board (WCB) agreed to defer payment of the amount outstanding for the 1st Quarter, 1998 which was approximately $104,000 for a period of one year, and to accept the deferral provided all future remittances to the WCB after April 1, 1998 were maintained on a current basis. They also agreed to adjust the assessment rates for Mount Polley Mines by taking into account the record established by IMC on the former Goldstream Mine. The assessment rate is to be 3.89 per cent for the year 1998 after which the firm would be experience rated in accordance with established WCB Era policy.

11. International Union of Operating Engineers agreed to negotiate a roll back of 10 per cent in wages for a period of two years. Repayment of the deferred wages would be made during the following two years of the plan.

Date Authorized: June 2, 1998
Date in Force and Effect: June 30, 1998

International Forest Products Limited

The Squamish Sawmill was purchased by International Forest Products Limited (Interfor) in 1995 from Weldwood of Canada Ltd. The mill began operations in 1962 manufacturing hemlock S4S lumber for the North American Market. In 1991 the mill was upgraded and reconfigured to produce primarily Douglas-Fir Hirakaku. These products are generally unique to the Japanese market (80 per cent) which recently suffered a significant downturn.

On an annual basis, the mill has a capacity to produce 100 million board feet of lumber and up to 60,000 VMU's of residual chips on a two shift basis. The mill's fibre supply is met by old growth timber from all of Interfor's timber holdings, by trade and purchase agreements and by open market log purchases. The facilities consist of a sawmill and planer mill with water access to Howe Sound, proximity to B.C. Rail Lines and the Sea to Sky Highway.

In July 1998, Interfor closed the Squamish Mill, which employed 185 people, to concentrate production for the Japanese market at their other whitewood mill, Fraser Mills. Interfor has indicated that this closure

is a temporary measure in dealing with the depressed lumber markets in Japan. Due to a number of factors including a long-term shortage of quality whitewood logs, expected further AAC reductions, high logging cost structure and other attributes that might cause the Squamish Mill to be competitively disadvantaged relative to other coastal operations, there is concern that the mill could be closed permanently.

The JPC retained Ernst & Young Corporate Finance Inc. to review the situation and develop possible alternatives that could result in the re-opening and operation of the mill in some capacity. The consultants suggested four possible options for immediate alternative activities that could result in resumed operations at reduced levels of activity. These included custom chipping, log merchandising, custom cutting and custom planing. The possibility of the establishment of a manufactured home plant on the site was also reviewed.

An economic plan was proposed whereby the District of Squamish, Jobs and Timber Accord Advocate Office, Interfor, mill employees and BC Hydro participate in a transitional proposal to start the plant on a limited basis with a whole log chipping operation.

Components of the Plan:

1. During a six month trial period, Interfor agreed to provide the Squamish Mill facilities and operational infrastructure, including mill management and supervision, to undertake a whole log chipping operation at the Squamish Mill site. Initially it would run on a one-shift basis, advancing to a two-shift basis assuming a successful initial two week testing and development period. They also agreed to amend the labour contract for mill employees to accommodate a 15 per cent reduction in overall labour costs for a six month period. It was understood that Interfor would abandon the project if it became clear that the project would not be successful. It was also understood that continuation of the chipping operation would be contingent upon Interfor finding and retaining a satisfactory customer for chips and associated by products. During the test month, Interfor agreed to provide an accounting at the end of the second and fourth weeks of the test period. Additionally, Interfor agreed to provide a quarterly accounting of the interim operations at the Squamish site to the JPC.

2. The District of Squamish agreed to reduce 1999 property taxes by $30,000 for the first month of the operation and by an additional $5,000 per month for each month that the mill is in operation and employing at least 26 workers.

3. IWA employees agreed to an amendment in their labour contract to reduce overall labour costs by 15 per cent for a six month period. They also agreed to establish a written alternative work arrangement agreement which satisfies the Office of the Jobs and Timber Accord Advocate for the purpose of accessing government funds available under the Accord to maximize employment.

4. BC Hydro agreed to reduce normal electricity usage charges by 25 per cent for six months.

5. Jobs and Timber Accord Advocate Office agreed to provide funds through the establishment of a written Alternative Work Arrangement Agreement between Interfor and IWA Canada (Local 2171) for the purpose of accessing government funds available under the Accord. Such

funds may not exceed one third of the actual statutory and contractual benefit costs to a maximum of $3,500 per employee per year for all hourly paid employees utilized at the Squamish operation.

Date Authorized: Oct. 23, 1998
Date in Force and Effect: Oct. 26, 1998

J.S. McMillan Fisheries Ltd.

J.S. McMillan Fisheries (McMillan) is a privately owned family business established in 1953. The company is under the management of brothers Barry and Dan McMillan. McMillan has operations in Prince Rupert and Vancouver, employing approximately 178 people. These two plants process salmon, herring and ground fish. In addition McMillan has interests in fishing vessels through Seaforth Industries Ltd. (Seaforth).

The Job Protection Commission (JPC) was first contacted by McMillan in 1992 as it investigated the possibility of forming a strategic alliance with the Prince Rupert Fishermen's Cooperative Association (PRFCA). Discussions between the parties were not fruitful. Subsequently in 1994, McMillan again approached the JPC, this time seeking assistance to acquire the assets of PRFCA. A Mediation Plan was authorized on July 6, 1994 to proceed with this initiative. One component was the requirement that the Province of British Columbia provide a limited guarantee for $5 million in support of an operating line of credit for $12 million to McMillan.

In the 3 years after the Mediation Plan was established, McMillan operated in an industry which experienced periods punctuated with uncertainty and change. Within that environment, McMillan struggled in its efforts to complete the integration of the former PRFCA operation and its own Vancouver business. This meant that the synergy foreseen by the acquisition was slow in developing and the financial losses continued.

Historically, McMillan's operation had been supported by a positive contribution supplied through the herring fishery. Because of this, McMillan had been able both in 1996 and 1997 to negotiate a bulge in its operating lending facility. The herring fishery in 1997 proved to be the worst in the last quarter century as the price per pound of herring roe plummeted from $25 in 1996 to approximately $10 in 1997. As a result, the projected herring roe contribution was reduced by close to $2 million and the company was unable to put itself back within margin on its operating loan. Faced with this reality, the company approached the Province seeking larger guarantees to allow it to enter the 1997 salmon season and investigate the possibility of strategic alternatives. At that time, the Province and the JPC recognized the necessity for McMillan to work toward a long term solution to its financial difficulties rather than continuing with the short term remedies requiring continued government assistance. Negotiations continued in mid 1997 between the Province, JPC, McMillan and its lenders on the components of a new Economic Plan. During the period of negotiation, the 1997 salmon season took place with results less than anticipated and this, combined with the poor herring fishery, left McMillan with little alternative but to seek protection under the *Bankruptcy and Insolvency Act* in November 1997.

Through the efforts of the trustee (Ernst & Young Inc.) and the other stakeholders in this process, a Proposal To Creditors was filed on April 17, 1998. The proposal was accepted in May and a reshaped McMillan emerged. At its north and south plants, McMillan would process its own ground fish catch and offer custom processing facilities for the processing of other companies' ground fish, salmon and herring. This was designed to reduce the company's risk from fluctuating commodity markets, which have historically shown severe price volatility. In addition, ABN Amro Bank Canada and Credit Union Central of British Columbia agreed to write down their term loan, the two unions involved agreed to revised collective agreements with McMillan and the Province provided a refinancing package, all of which enabled McMillan to realize a significant reduction in its interest costs and increased efficiency in labour costs. This Economic Plan was based upon the acceptance of the bankruptcy proposal and the discussions which took place between ABN Amro Bank Canada, Credit Union Central of British Columbia, Ernst and Young Inc., McMillan and the Province and which were encompassed in a Memorandum of Understanding dated July 17, 1998.

Components of the Plan:

1. ABN AMRO Bank Canada (ABN) and Credit Union Central of British Columbia (CUCBC) agreed to write down its existing term loan to $8,928,221.03 and continue providing said assistance to McMillan. They also agreed to provide an operating line of credit of up to $2 million to McMillan, secured by current assets subject to normal commercial margins unless the company was successful in securing another operating lender.

2. The Province of British Columbia through the Ministry of Employment and Investment undertook and completed certain actions subject to the terms and conditions set out in the Memorandum of Understanding dated July 17, 1998, including but not limited to providing a secured term loan of $8,100,000 to McMillan and Seaforth Industries Ltd., to be used to refinance an existing term loan at a lower rate of interest, and deferring payment on a $3 million loan guarantee to enable the funding of the Company's Proposal to its creditors, both of which would be secured by a first charge over all of the fishing interests and the Vancouver based processing assets of both McMillan and Seaforth, and a second charge against all other assets. The $3 million deferral is to be repaid by March 31, 1999

3. J.S. McMillan Fisheries Ltd. and Seaforth Industries Ltd. agreed, among other things, to extending their best effort to secure an operating loan of $2 million from a lender other than ABN/CUCBC; and to identify and extend their best effort to divest itself of any redundant assets.

4. Ernst & Young Inc. agreed, among other things, to assist the company with the development, implementation and maintenance of a viable business plan, act as an agent to sell the redundant assets, and assist the company with preparation, provision and presentation of regular reports to ABN/CUCBC and the Province as required under the credit agreements.

5. United Food and Commercial Workers Union agreed to enter into a collective agreement with McMillan and by doing so endorsed this plan.

6. United Fishermen and Allied Workers Union agreed to enter into a collective agreement with McMillan and by doing so endorsed this plan.

Date Authorized: July 29, 1998
Date in Force and Effect: October 29, 1998

P.G. Specialty Wood Products Ltd. and Pacific Precision Wood Products Ltd.

P.G. Specialty Wood Products Ltd. (PGSWP) operates a primary sawmill in Prince George, and employs 25 people. It supplies boards to Pacific Precision Wood Products Ltd. (PPWP), a company under common shareholder and management control that produces edge-glued panels for the furniture manufacturing industry, which employs 50 people.

PGSWP and PPWP suffered significant operating losses over the past several years. For the most part, these losses were the direct result of an inability to access capital or suitable and affordable fibre when they were required. Over the past two years approximately $7,000,000 in financing was raised through the now failed Eron Mortgage Corp. However, it was raised at a punishing cost, the funding was often delayed and, in order to meet Eron's security requirements, cash that was intended to be used for working capital and equipment purchases had to be used to purchase property that had previously been leased. As a result, both companies filed for protection from their creditors under the *Bankruptcy and Insolvency Act.*

In the opinion of H.A. Simons, a consulting firm retained by the JPC, the operations could be viable in the long term, given sufficient financing. What was required was a $2,000,000 loan, and a deferral of approximately $2,000,000 in stumpage.

This economic pan, under the *Job Protection Act*, was developed to allow PGSWP and PPWP to fulfill their commitments under the proposal to their creditors under the *Bankruptcy and Insolvency Act*, to restart operations and eventually pay their creditors in full.

Components of the Plan:

1. The province of B.C., MoF agreed to a deferral of approximately $2,000,000 in stumpage with no payments for the first six months, but full payment within two years. These concessions were made on the understanding that all new stumpage and other charges on subsequent timber sales would be kept current.

2. The province of B.C., through MEI agreed to provide a direct term loan of $2,000,000 to PPWP, to be secured by a first charge on land, buildings, equipment, inventory and accounts receivable of PPWP, to charge interest on the term loan of seven per cent, and to accept blended principal and interest payments of $40,000 per month, which would be sufficient to amortize the loan over approximately five years.

3. PGSWP agreed to apply all funds made available by the MoF through the stumpage deferrals to the working capital requirements of PGSWP's sawmill and PPWP's edge-glued panel

plant operations. They acknowledged and agreed that if any of the payments in the schedule were missed or met with NSF cheques, the MoF might not award or issue any further cutting permits or authorities to PGSWP or PPWP. They also agreed to remain current on all stumpage and other charges on future timber sales.

4. PPWP agreed to provide security for the $2,000,000 loan from the province, and to remain current on the payment schedule.

5. Revenue Canada agreed to accept from PGSWP and PPWP six monthly payments to pay off the balance of approximately $68,000 and $136,300 respectively owed to it, as of Feb. 25, 1998, with the first payments commencing within 30 days following court approval of PGSWP's and PPWP's Proposals to their creditors.

6. Price Waterhouse Ltd. in its capacity as Receiver/Judicial Trustee of 509995 B.C. Ltd., the secured creditors that loaned money to PGSWP through Eron Mortgage Corp., agreed to reschedule the approximately $9,000,000 they were owed. They agreed to reduce interest rates that would be capitalized for the next two years, after which the balance owing would be paid in full, unless a satisfactory mortgage extension could be negotiated.

7. The Trustee (Deloitte & Touche Inc.), on behalf of the Ordinary Creditors agreed to accept principal payments of $571,112 or an amount equal to 100 cents per dollar of proven claim of all Ordinary Creditors of PGSWP, whichever was less, for the next two years from PGSWP, and principal payments of $263,622 or an amount equal to 100 cents per dollar of proven claim of all Ordinary Creditors of PPWP, whichever was less, for the next two years from PPWP.

It was understood and agreed by all parties to this economic plan that failure by PPWP and/or PGSWP to make the payments called for would constitute an event of default of this plan, and the participants to this plan would be free to exercise whatever remedies might be available to them.

Date Authorized: March 25, 1998
Date in Force and Effect: April 2, 1998

Rebco Wood Products Ltd.

Rebco Wood Products Ltd. (Rebco) was incorporated in 1989 with the intent of establishing a remanufacturing facility in Port Alberni, employing 33 people. From the outset, the company was modestly capitalized and had difficulties sourcing low cost fibre for its mill. In late 1990, Rebco was awarded a timber sale licence by MoF under the Small Business Forest Enterprise Program. The profits from that sale, which was completed in late 1996, were put back into the business in the form of additional capital expenditures. Despite this, Rebco continued to struggle and it became evident that the company needed both access to fibre at a reasonable cost and lumber sized to meet its specific requirements.

To alleviate these obstacles, Rebco worked with the Ditidaht First Nation and formed Looper Creek Management Corp. (Looper) of which 60 per cent is owned by the Ditidaht people with Rebco holding the remaining equity. Looper was successful in being

awarded a five year Small Business Forest Enterprise Program TSL in 1996 which provides for 65,574 m3 of fibre. The business plan for Looper was vetted by an outside consultant for the JPC and it was deemed to be viable. Under the terms of the licence, Looper: i.e. the Ditidaht, agreed to erect a breakdown mill. This was built at a cost of about $1.5 million and went through a debugging process.

Despite this positive development, Rebco itself remained in financial difficulty. This problem was addressed through a mediation plan prepared by the JPC.

The mediation plan was authorized on Jan. 22, 1998 and signed off by all of the stakeholders, and was declared in full force and effect on March 24, 1998. The proposed new financing, while approved by both the Bank of Montreal and the province of B.C. was still not disbursed because, in part, it had come to the attention of both lenders that Rebco owed a substantial amount of money to the WCB.

Unless suitable arrangements could be made, the financial restructuring contemplated in the mediation plan would collapse. This economic plan was structured to deal with the issue. The repayment terms reflect the fact that the wood from the Ditidaht mill would not begin flowing to Rebco on a consistent basis until the latter part of 1998 as it ramped up production. The cash flow anticipated from the finished products would not be reflected within Rebco until Feb./March 1999.

Components of the Plan:

1. Rebco Wood Products Ltd. agreed to repay its existing obligation of $137,471.03 to the WCB at the rate of $2,300 per month, plus interest at the prescribed rate, commencing on March 31, 1999 and to file the requisite reports in the prescribed time to the WCB and to remit payments as due to the WCB on all future obligations.
2. WCB agreed to accept payment on its existing account balance of $137,471.03 with Rebco Forest Products Ltd. at the rate of $2,300 per month, plus interest at the prescribed rate, commencing on March 31, 1999, and provided priority agreements to the Bank of Montreal and the province of B.C. to cover the $137,471.03 obligation of Rebco Forest Products Ltd.

Date Authorized: Oct. 30, 1998
Date in Force and Effect: Nov. 25, 1998

Skeena Cellulose Inc. #3

Skeena Cellulose Inc. (SCI) operates a pulp mill at Watson Island, near Prince Rupert, a whole log chipper in New Hazelton, and sawmills at Terrace, Carnaby and Smithers. It has three subsidiary companies, being Buffalo Head Forest Products Ltd. (Buffalo Head), Orenda Forest Products Ltd. (Orenda) and Orenda Logging Ltd. (Orenda Logging). SCI and its subsidiaries hold numerous timber tenures issued under the *Forest Act*, and employ approximately 2400 people. Combined, these entities have an Annual Allowable Cut (AAC) of approximately 2.39 million cubic metres, spread over the Kalum, Kispiox, Nass and Bulkley Timber Supply Areas, and TFL No. 1 in the northwest region of B.C.

In an attempt to avoid likely imminent bankruptcy, SCI and its subsidiaries filed petitions under the *Companies' Creditors Arrangement Act* (CCAA) on March 3, 1997. The effect of the subsequent court order was, among other things, to stay SCI's and its subsidiaries' creditors until Sept. 30, 1997, by

which time SCI and its subsidiaries intended to present a restructuring plan to their creditors which would propose a method of full or partial payment.

On Feb. 28, 1997 the first economic plan for SCI under the *Job Protection Act* was authorized by the Job Protection Commissioner, and accepted by the participants. It was developed as an interim measure to allow for the CCAA filing to proceed by, among other things, allowing the change of control of SCI and its subsidiaries from Repap Enterprises Inc. to Royal Bank of Canada (Royal) and The Toronto-Dominion Bank (TD).

On Oct. 3, 1997 a second economic plan was authorized to help make it possible for pulp mill operations to recommence, and to continue the operation of SCI as a whole.

Subsequent to the Oct. 3, 1997 economic plan, several material events occurred, including: Royal Bank of Canada selling its interests, directly or indirectly to the province and the filing by SCI of a plan of arrangement under the CCAA.

This third economic plan for SCI and its subsidiaries was developed to assist in their restructuring by detailing the deferrals and extended repayment plans required of the province of B.C., the WCB, and the municipalities in which SCI operates, and the accommodation required of MoF to allow the restructuring to proceed.

Components of the Plan:

1. The province of B.C., through the MoF, confirmed that the agreements it entered into in the Feb. 28, 1997 and Oct. 3, 1997 economic plans would continue, unless superseded by this economic plan. They agreed that they would respond positively, and without condition, to a change of control of SCI and its subsidiaries, Buffalo Head and Orenda Logging, from a holding company, named 3340091 Canada Inc. to a new structure whereby SCI will be 27.5 per cent owned, directly or indirectly, by TD, 52.5 per cent owned, directly or indirectly, by 552513 B.C. Ltd., and 20 per cent owned, directly or indirectly, by the pulp mill employees. MoF reserved the right to evaluate any future changes in control when and if they occurred, and on their own merits. MoF agreed to allow SCI and its subsidiaries to defer all Stumpage and Other Charges under the *Forest Act* and Regulations (stumpage) payments during 1997. This deferral of stumpage was estimated to total approximately $18,000,000. MoF also agreed to defer the repayment of $4,000,000 of new road construction funded by MoF in SCI's tenures during 1997 (the new road construction costs) until Jan. 1, 1999. Commencing Jan. 1, 1999, they agreed to accept 48 monthly payments, each equal to $1/48^{th}$ of the total deferred stumpage and new road construction costs. They also agreed that for money payable by the province of B.C. to SCI and its subsidiaries, up to and including Dec. 31, 1997:

   i) setoff would not be applied by MoF; and
   ii) if the payable was a result of a contract funded by FRBC, it would be paid into a trust account to be administered by C&LL (the FRBC Trust Account), on the understanding that C&LL would pay the contractor that performed the work with the funds in the FRBC Trust Account, and would pay SCI the administrative portion.

MoF agreed that it would deem Orenda Logging and Buffalo Head to have harvested 100 per cent of their 1997 AAC for cut control purposes under the *Forest Act*. In the event of failure to make payments, MoF retained the right to withhold the issuance of further cutting permits to SCI or its subsidiaries until the payments were brought current.

2. The province of B.C., through the Ministry of Environment, Lands and Parks (MELP) confirmed that the agreements it entered into in the Oct. 3, 1997 economic plan would continue, unless superseded by this economic plan. They agreed to defer the payment of the outstanding waste permit fees of approximately $700,000, plus any other waste permit fees that might accrue up to and including Dec. 31, 1997, until Jan. 1, 1999. Commencing Jan. 1, 1999, they agreed to accept 48 monthly payments as full and final payment of the deferred waste permit fees.

3. The WCB agreed to defer the payment of the outstanding WCB charges of approximately $2,000,000, plus any other WCB charges that might accrue up to and including Dec. 31, 1997, until Jan. 1, 1999. Commencing Jan. 1, 1999, they agreed to accept 48 monthly payments plus interest, as full and final payment of the deferred WCB charges.

4. The City of Prince Rupert confirmed that the agreements it entered into in the Oct. 3, 1997 economic plan would continue, unless superseded by this economic plan. They agreed to defer outstanding property taxes of approximately $11,220,000, as of Dec. 31, 1997 (the deferred Prince Rupert property taxes), until Jan. 1, 1999. Commencing Jan. 1, 1999, they agreed to accept 48 monthly principal payments as full and final payment of the deferred Prince Rupert Property Taxes. They also agreed to treat the property tax payment that would be received in July 1998 as if it was a current payment and, therefore, not charge a penalty because of tax arrears still outstanding. As long as the repayment schedule was kept current, they agreed to treat the property tax payments that would be received in July 1999 to 2002 inclusive as if they were current payments, and therefore not charge a penalty because of tax arrears still outstanding, and as long as the repayment schedule and property tax payments due in July 1998 to 2002 inclusive were kept current, postpone any proceedings on a tax sale of SCI assets.

5. The District of Port Edward confirmed that the agreements it entered into in the Oct. 3, 1997 economic plan would continue, unless superseded by this economic plan. They agreed to defer outstanding property taxes of approximately $1,100,000, as of Dec. 31, 1997 (the deferred Port Edward property taxes), until Jan. 1, 1999. Commencing Jan. 1, 1999, they agreed to accept 48 monthly principal payments as full and final payment of the deferred Port Edward Property Taxes. They also agreed to treat the property tax payment that would be received in July 1998 as if it was a current payment and, therefore,

not charge a penalty because of tax arrears still outstanding. As long as the repayment schedule was kept current, they agreed to treat the property tax payments that would be received in July 1999 to 2002 inclusive as if they were current payments, and therefore not charge a penalty because of tax arrears still outstanding, and as long as the repayment schedule and property tax payments due in July 1998 to 2002 inclusive were kept current, postpone any proceedings on a tax sale of SCI assets.

6. The City of Terrace confirmed that the agreements it entered into in the Oct. 3, 1997 economic plan would continue, unless superseded by this economic plan. They agreed to defer outstanding property taxes of approximately $915,000, as of Dec. 31, 1997 (the deferred City of Terrace property taxes), until Jan. 1, 1999. Commencing Jan. 1, 1999, they agreed to accept 48 monthly principal payments as full and final payment of the deferred City of Terrace property taxes. They also agreed to treat the property tax payment that would be received in July 1998 as if it was a current payment and, therefore, not charge a penalty because of tax arrears still outstanding, and as long as the repayment schedule was kept current, treat the property tax payments that would be received from July 1999 to 2002 inclusive as if they were current payments, and therefore not charge a penalty because of tax arrears still outstanding.

7. The Toronto-Dominion Bank confirmed that the agreements it entered into in the Feb. 28, 1997 and Oct. 3, 1997 economic plan would continue, unless superseded by this economic plan. Upon implementation of the CCAA Plan of Arrangement, it agreed to reschedule its term debt so that only $37,500,000 would be secured, bear interest, and appear as debt for financial statement purposes. It agreed to continue to freeze its portion of the existing operating line and, its portion of approximately $30,000,000 of the first interim operating facility, until the earlier of implementation of the CCAA Plan of Arrangement or default and would provide further interim financing of approximately $25,000,000. Upon implementation of the CCAA Plan of Arrangement, it agreed to provide a new $120,000,000 operating line for SCI, of which the first $100,000,000 would be 50 per cent guaranteed and the remaining $20,000,000 would be 70 per cent guaranteed, directly or indirectly, by the province of B.C.

8. MEI, directly or through SCI Ventures Ltd. (Ventures) confirmed that the agreements it entered into in the Oct. 3, 1997 economic plan would continue, unless superseded by this economic plan. Upon implementation of the CCAA Plan of Arrangement, it agreed to reschedule the term debt which Ventures acquired from Royal so that only $37,500,000 would be secured, bear interest, and appear as debt for financial statement purposes. It agreed to continue to freeze its portion of the existing operating line acquired by Ventures from Royal and, until the earlier of implementation of the CCAA Plan of Arrangement or default, provide a guarantee of 70 per cent of further

interim financing of approximately $25,000,000 required by SCI, and funded by TD. Upon implementation of the CCAA Plan of Arrangement, it agreed to provide a guarantee for 50 per cent of the first $100,000,000 and 70 per cent of the next $20,000,000 of a new $120,000,000 operating line for SCI, to be administered by TD.

9. Skeena Cellulose Inc. confirmed that the agreements it entered into in the Feb. 28, 1997 and Oct. 3, 1997 economic plans would continue, unless superseded by this economic plan. It agreed to accept sole liability for all currently outstanding third-party stumpage for purchased logs owed by them or their subsidiaries on behalf of their contractors and Bell Pole. These amounts were estimated to total approximately $1,300,000. It agreed to deposit an amount estimated to equal the third-party stumpage on all future purchased logs in a trust account, to be administered by C&LL (the Stumpage Trust Account), and to commit to make the payments towards deferred stumpage, new road construction costs, waste permit fees, WCB charges and property taxes. It also committed to remain current on stumpage, waste permit fees and WCB reporting and payments, commencing Jan. 1, 1998.

10. Buffalo Head Forest Products Ltd. confirmed that the agreements it entered into in the Feb. 28, 1997 and Oct. 3, 1997 economic plans would continue, unless superseded by this economic plan. It agreed to apply reasonable efforts to harvest any previously felled timber on existing, accessed cutting permits of FL A 16884, and that regardless of actual harvest in Calendar 1997, Buffalo Head would be deemed to have harvested 100 per cent of its 1997 AAC. It committed to make the agreed upon payments towards deferred stumpage.

11. Orenda Logging Ltd. confirmed that the agreements it entered into in the Feb. 28, 1997 and Oct. 3, 1997 economic plans would continue, unless superseded by this economic plan. It agreed to apply reasonable efforts to harvest any previously felled timber on existing, accessed cutting permits, and that regardless of actual harvest in Calendar 1997, Orenda Logging would be deemed to have harvested 100 per cent of its 1997 AAC. It also committed to make the agreed upon payments towards deferred stumpage.

12. Coopers & Lybrand Ltd. agreed to continue administering the Stumpage Trust Account including, upon receipt from SCI, depositing and accounting for moneys equal to the estimated stumpage liabilities related to purchased logs and, upon receipt of the stumpage invoice related to the above-mentioned logs, remitting the stumpage payment to the MoF. It also agreed to continue administering the FRBC Trust Account including, upon receipt from the MoF, depositing and accounting for funds withheld by the MoF related to work performed by contractors on behalf of FRBC and, upon receipt of funds from the MoF or directly from FRBC, remitting the appropriate payment to the contractor that performed the work. It agreed to work with each of the interested parties to expedite the CCAA process.

This economic plan under the *Job Protection Act* was prepared under the assumption that the CCAA Plan of Arrangement filed on Nov. 28, 1997, would be accepted, as is or with revisions, by the required percentage of unsecured creditors voting when they voted on that plan on Dec. 17, 1997, or some later date. If SCI was to be placed into bankruptcy or receivership, the commitments made by the participants, except MoF, Buffalo Head Forest Products Ltd. and Coopers & Lybrand Ltd., to this economic plan and the economic plans for SCI, its subsidiaries and its predecessor company, Repap B.C. Inc., dated Feb. 28, 1997 and Oct. 3, 1997, would be null and void.

Date Authorized: Dec. 10, 1997
Date in Force and Effect: Feb. 23, 1998

Skeena Cellulose Inc. #4

Subsequent to the Dec. 10, 1997 economic plan, several material events occurred, including:

- Royal sold its loan receivables from SCI and its subsidiaries to SCI Ventures Ltd. (Ventures);
- Royal sold its interest in the shares of the parent of SCI to 552513 B.C. Ltd., a corporation wholly owned by the province of B.C.;
- The province of B.C. agreed to provide partial guarantees of new operating loans to be provided by TD to SCI;
- The companies (other than Buffalo Head) filed a Plan of Arrangement under the CCAA with the Supreme Court of B.C. on Nov. 28, 1997;
- On Dec. 10, 1997 a third economic plan was authorized to complement the CCAA Plan of Arrangement by empowering a variety of government organizations to provide accommodation to SCI and its subsidiaries;
- An amended version of the Plan of Arrangement was accepted by the unsecured creditors and the Supreme Court, and was implemented early in 1998;
- The Dec. 10, 1997 economic plan went into full force and effect shortly after the CCAA Plan of Arrangement was implemented;
- Operations in the woodlands, the pulpmill and the sawmills were sporadic throughout 1998, partially due to poor markets, and partially due to a lack of working capital.

This fourth economic plan for SCI was developed to assist in its short-term cash flow by providing a short-term deferral of 1998 property taxes owed the municipalities in which SCI operated.

Components of the Plan:

1. The City of Prince Rupert confirmed that the agreements it entered into in the Oct. 3, 1997 and Dec. 10, 1997 economic plans would continue, unless superseded by this economic plan. It agreed to continue deferring outstanding property taxes of approximately $11,220,000 as of Dec. 31, 1997 (the deferred Prince Rupert Property Taxes), until Jan. 1, 1999. Commencing Jan. 1, 1999, it agreed to accept 48

monthly principal payments as full and final payment of the deferred Prince Rupert Property Taxes. Commencing July 1, 1998, it agreed to accept six monthly principal payments as full and final payment of 1998 Prince Rupert Property Taxes. The City of Prince Rupert also agreed to treat the six 1998 property tax payments that would be received as if they were current payments and, therefore, not charge a penalty because of tax arrears still outstanding. As long as the repayment schedule was kept current, it would treat the property tax payments that would be received in July 1999 and 2002 inclusive as if they were current payments, and therefore not charge a penalty because of tax arrears still outstanding. As long as the repayment schedule and property tax payments due in July 1999 to 2002 inclusive were kept current, the City of Prince Rupert would postpone any proceedings on a tax sale of SCI assets.

2. The District of Port Edward confirmed that the agreements it entered into in the Oct. 3, 1997 and Dec. 10, 1997 economic plans would continue, unless superseded by this economic plan. The district agreed to continue deferring outstanding property taxes of approximately $1,100,000, as of Dec. 31, 1997 (the deferred Port Edward Property Taxes), until Jan. 1, 1999. Commencing Jan. 1, 1999, it agreed to accept 48 monthly principal payments as full and final payment of the deferred Port Edward Property Taxes. Commencing July 1, 1998, it agreed to accept six monthly principal payments as full and final payment of the 1998 Port Edward Property Taxes. The District agreed to treat the six 1998 property tax payments that would be received as if they were current payments and, therefore, not charge a penalty because of tax arrears still outstanding. As long as the repayment schedule was kept current, it would treat the property tax payments that would be received in July 1999 to 2002 inclusive as if they were current payments, and therefore not charge a penalty because of tax arrears still outstanding. As long as the repayment schedule and property tax payments due in July 1998 to 2002 inclusive were kept current, the District would postpone any proceedings on a tax sale of SCI assets.

3. The City of Terrace confirmed that the agreements it entered into in the Oct. 3, 1997 and Dec. 10, 1997 economic plans would continue, unless superseded by this economic plan. It agreed to continue deferring outstanding property taxes of approximately $915,000, as of Dec. 31, 1997 (the deferred City of Terrace Property Taxes), until Jan. 1, 1999. Commencing Jan. 1, 1999, Terrace agreed to accept 48 monthly principal payments as full and final payment of the deferred City of Terrace Property Taxes. Commencing July 1, 1998, it agreed to accept six monthly principal payments as full and final payment of the 1998 Terrace Property Taxes. It agreed to treat the six 1998 property tax payments that would be received as if they were current payments, and, therefore, not charge a penalty because of tax arrears still outstanding. As long as the repayment schedule was kept current, Terrace would treat the property tax payments that would be received in

July 1999 to 2002 inclusive as if they were current payments, and therefore not charge a penalty because of tax arrears still outstanding.

4. Skeena Cellulose Inc. confirmed that the agreements it entered into in the Feb. 28, 1997, Oct. 3, 1997 and Dec. 10, 1997 economic plans would continue, unless superseded by this economic plan. It committed to making payments toward the 1998 property taxes deferred in this economic plan. It agreed to use its best efforts to implement the initial phase of a capital expenditure plan (estimated at $38,000,000 during the year ended 1998) at its Watson Island pulp mill, based on the design specifications recently completed by H.A. Simons at a consulting cost of $600,000.

Date Authorized: June 24, 1998
Date in Force and Effect: June 29, 1998

West Fraser Timber Co. Ltd.

West Fraser Timber Co. Ltd. (West Fraser) is a fully integrated forest products company that owns and operates pulp and paper, lumber, fibreboard and home improvement centres in B.C., Alberta and Saskatchewan.

One of West Fraser's operations is the Skeena Sawmills plant in Terrace. After incurring significant losses in the last half of 1996, West Fraser announced the temporary closure of that sawmill effective Dec. 23, 1996. As a result, 190 mill workers in Terrace were laid off. On Feb. 20, 1997 an economic plan under the *Job Protection Act* was authorized. This allowed the mill to re-open at the end of Feb. 1997.

West Fraser cited continuing high log costs, and low markets for lumber and pulp logs, with making logging of decadent stands of timber uneconomical. This caused a second extended shut down of the sawmill in Dec. 1997. In order to restart the Terrace sawmill, West Fraser felt that the cost of delivered logs must be reduced. It had to focus its harvesting effort on stands with as high a ratio of saw logs to pulp logs as possible, in order to minimize operating losses. To make that possible, certain concessions relating to cut control provisions were required from MoF. These concessions required the application of the relief powers of section 66 of the *Forest Act* that arise when an economic plan is created pursuant to the Job Protection Act. These concessions applied to Forest Licence A 16882 in the Nass Timber Supply Area, which experienced high costs and produced a very low ratio of saw logs to pulp logs.

This economic plan was developed to describe the commitments and/or concessions required of each of the stakeholders in order to allow the start-up of the Terrace sawmill and the return to work of 190 mill workers.

Components of the Plan:

1. The province of B.C., through the Ministry of Forest (MoF) agreed to credit West Fraser's Forest Licence with a harvest of 34,873 m3 in 1998, to assume the right to dispose of any of the volume of timber credited to persons other than the holder of the Forest Licence, and to refrain from reducing the AAC of the Forest Licence if the volume of timber harvested during the five year cut control period was deficient due to a harvest of less than

100 per cent of the AAC in calendar 1998. MoF also affirmed that any such deficiency would not be carried forward into any subsequent cut control period, and to affirm that *Forest Act* requirements and penalties related to excess harvesting continued to apply to the Forest Licence.

2. West Fraser Timber Co. Ltd. agreed to have MoF credit its Forest Licence with a harvest of 34,873 m3 in 1998 for the purposes of the cut control requirements, and to MoF having the right to dispose of the volume credited to persons other than the holder of the Forest Licence. West Fraser also agreed to make available for disposition by MoF, one or more cut blocks approved under the forest development plan for the Forest Licence, which in total were estimated to contain similar volume of timber to that credited. In addition to the volume credited, they agreed to cut at least 81,369 m3 under their Forest Licence in the Nass TSA during 1998. They agreed to restart operations at West Fraser's Terrace sawmill on a two-shift basis on March 16, 1998 and use reasonable commercial efforts to continue operation of the sawmill throughout the remainder of 1998.
West Fraser further agreed that the MoF might choose not to grant the above relief if the Terrace sawmill did not reopen on March 16, 1998, and that any deficiency in fibre supply for West Fraser's sawmill as a result of undercutting the Forest Licence during 1998 would not be made up by purchasing logs from outside the province of B.C.

3. IWA Canada Local 1-71 agreed to endorse the concept of waiving the normal cut control provisions relating to the Forest Licence as described in this economic plan, and to work with West Fraser to facilitate the restart and continuation of the Terrace sawmill operation.

Date Authorized: March 13, 1998
Date in Force and Effect: March 25, 1998

Mediation Plans

- Cloverdale Lettuce and Vegetable Co-operative
- Goose Creek Lumber Ltd.
- Rebco Wood Products Ltd.
- Sonax Furniture Manufacturing Limited

Cloverdale Lettuce and Vegetable Co-operative

Cloverdale Lettuce & Vegetable Co-operative (Cloverdale), which employs 46 people, was established in Surrey in 1969 to provide processing and marketing services for its member growers. Cloverdale was well managed for approximately 15 years through the 1980's and early 1990's, during which time it was a profitable operation that had bank borrowings which were retired each Fall. The balance sheet equity base was approximately $1.1 million.

In 1994, Cloverdale purchased the shares of West Coast Cooling Co. Ltd. (West Coast), a company which provided cooling services for Cloverdale. The West Coast transaction necessitated Cloverdale taking on a term loan of $1.1 million from the Bank of Nova Scotia repayable in annual installments of $120,000 until 2001.

Since acquiring West Coast, Cloverdale's financial performance was poor. The 1997 season was particularly inferior in terms of financial performance. Revenues were down by approximately 40 per cent from the previous year, overhead costs were increasing despite lower volumes and the net accounting loss, subject to the audited report, was in excess of $700,000. By year end, the balance sheet equity base was reduced to around $100,000.

In recognition that a change in direction was necessary, a new general manager was engaged in June 1997. Efforts were made to regain the commitments of the member growers as well as to ensure that financial controls were placed on costs. While Cloverdale was successful in those areas, in Aug. 1997, the Bank of Nova Scotia demanded repayment of the operating loan due to the poor financial performance and the lack of a strategy to turn the operation around.

After discussions with the Ministry of Agriculture, Fisheries and Food, Cloverdale contacted the JPC in Nov. 1997 seeking assistance to put together a recovery plan.

The JPC engaged a consultant, Lucien Lieberman, to conduct an operational and financial viability review of Cloverdale. The conclusion was that with financial support from the province, Cloverdale was viable, subject to the climactic conditions producing a "normal" volume and quality of crops for its member growers. The level of financial assistance identified in the consultant's report

is $450,000. In addition to the positive developments under the new General Manager, the financial assistance was justifiable in a collateral sense in view of the significant appreciation of Cloverdale's real estate value; the balance sheet value was $156,000; the estimated value in the consultant's report was $2.1 million. If Cloverdale was unable to arrange this additional financing within the next month, it would cease to operate, its assets would likely be sold off and the growers would be left with no facility to process their crops. Inasmuch as the management of Cloverdale was yet to demonstrate that they turned the operation around, the bank was not prepared to increase its participation.

The purpose of this mediation plan was to permit Cloverdale to operate through the 1998 crop year and into future crop years.

Components of the Plan:

1. MEI agreed to provide a term loan of $450,000 to Cloverdale to provide working capital. Interest rate, terms of repayment and collateral security were negotiated between the ministry and Cloverdale and such collateral security would be subordinate to all security granted by the Cloverdale in favour of the Bank of Nova Scotia.

2. Ministry of Agriculture and Food endorsed the plan.

3. The Bank of Nova Scotia agreed to continue providing an operating facility of $650,000 to Cloverdale subject to specified terms and conditions.

4. Cloverdale Lettuce & Vegetable Co-operative agreed to provide interim quarterly financial statements to the Province of B.C. during the term of the loan.

5. Rick Law, Bill Dunn, Gilbert Wong, Ken Wong, Rick McKinney, James Sprangers, Tim Singh, all directors of Cloverdale Lettuce & Vegetable Co-operative, endorsed the plan.

Date Authorized: March 25, 1998
Date in Force and Effect: April 28, 1998

Goose Creek Lumber Ltd.

Goose Creek Lumber Ltd. is a secondary lumber remanufacturer located in Crescent Valley in the West Kootenays of British Columbia. It was established in 1980 and employs 42 full and part-time employees. Historically, the company has been a custom processor of dimension shop grade lumber with 90% of its products destined for the Japanese market. Difficulties with sourcing suitable fibre and a weak Japanese market forced Goose Creek to discontinue its custom program and to become a non custom trim end processing/finger jointing facility with 90% of its products going into the North American market. It also meant that all raw materials would need to be purchased, requiring an additional operating line of credit of $400,000 from a financial institution.

The inability of the company to access working capital had curtailed operations and resulted in the plant operating at less than full capacity. The Grand Forks District Savings Credit Union agreed to provide the loan facility for working capital, provided the Province would guarantee the loan. The company has an AAC of 10,000 cubic metres with a term of 15 years, replaceable every 5 years.

Components of the Plan:

1. Goose Creek Lumber Ltd., Zwieder Holdings Ltd. and Zwieder Lumber Ltd. ("Goose Creek") agreed to employ reasonable commercial effort to maintain operations, and that there would be no repayment of funds advanced by the shareholders without JPC consent until deferred amounts were repaid, and the provincial government guarantee was cancelled.

2. Jim Zwick, Ted Dergousoff, Michael Pottie ("the Shareholders") agreed that there would be no divestiture or change of ownership in the shares of Zwieder Holdings Ltd., Goose Creek Lumber Ltd. or Zwieder Lumber Ltd. while the Mediation Plan was in force and effect, except as recommended in the independent feasibility study; and they agreed to provide the Grand Forks District Savings Credit Union with the required security in support of the company's borrowings.

3. Grand Forks District Savings Credit Union was owed approximately $43,150 by Goose Creek, repayable at $950 per month including interest, as at June 30, 1998. Grand Forks District Savings Credit Union agreed to defer monthly repayments of the principal amount on the existing loans until January 1999, and to provide a new term loan to Goose Creek in the amount of $400,000 for working capital purposes.

4. Community Futures Development Corporation of Central Kootenay was owed approximately $278,680 by Goose Creek, repayable at $6,443 per month including interest, as at June 30, 1998. It agreed to defer monthly repayments of the principal amount of the existing loans until January 1999.

5. Royal Bank of Canada was owed approximately $14,218 by Goose Creek, repayable at $1,425 per month including interest as at June 30, 1998. It agreed to defer monthly repayments of the principal amount of the existing loans until January 1999.

6. Business Development Bank of Canada was owed approximately $26,260 by Goose Creek, repayable at $1,350 per month including interest as at June 30, 1998. It agreed to defer monthly repayments of the principal amount of the existing loans until January 1999.

7. Pope & Talbot Ltd. was owed approximately $200,000 by Goose Creek as at June 30, 1998. It agreed to accept monthly payments of $5,000, plus interest on the outstanding amount, and to provide a continued level of support to Goose Creek Lumber.

8. The Province of British Columbia through the Ministry of Employment and Investment agreed to provide Grand Forks District Savings Credit Union with a residual guarantee in the amount of $400,000 in support of its loan for $400,000 to Goose Creek.

9. The Province of British Columbia through the Ministry of Forests agreed to consider extending the expiry date for compliance on Forest Licence A56529, if required.

Date Authorized: July 31, 1998
Date in Force and Effect: September 23, 1998

Rebco Wood Products Ltd.

Rebco Wood Products Ltd. (Rebco) was incorporated in 1989 with the intent of establishing a remanufacturing facility in Port Alberni. It employed 33 people. From the outset, the company was modestly capitalized and had difficulties sourcing low cost fibre for its mill. In late 1990, Rebco was awarded a timber sale licence by MoF under the Small Business Forest Enterprise Program.

Under the TSL, the company was obligated to significantly increase its capital expenditures on the mill. The JPC was approached early in 1992 by the principals of Rebco to assist with accessing the funding needed to meet the licence commitments. An economic plan was authorized on June 30, 1992 which met those requirements including a standby loan of $250,000 agreed to by the Ministry of Economic Development, Small Business and Trade. This latter facility was never utilized.

The economic plan foresaw Rebco entering into a lumber for log agreement with MacMillan Bloedel Ltd. in Port Alberni. This would provide the raw material to Rebco while providing a local end user for the logs that would be harvested off the timber sale licence. Projections indicated that such an arrangement was the most logical and if it worked as envisaged, the remanufacturer would have the fibre it needed in its operation and its large term debt burden could be greatly reduced, if not eliminated, by the end of harvesting the small business sale. Unfortunately the arrangement fell apart as the principals of Rebco and the representatives from the large forest company could not agree on a system which each deemed to be fair. As a result, Rebco was forced to find another large forest company to make a lumber for log agreement. An arrangement with Interfor went on for a number of years, however, the supply of lumber to Rebco proved to be inconsistent. The end result was that by the end of the harvest in 1996 the following had transpired:

a) The company had made the expected profit from the logs harvested under the timber licence.
b) The remanufacturing facility had not established any significant product line of its own but had for the most part become a custom cutting operation.
c) Losses on the operation due in part to an uneven flow of raw material were substantial to offset the profits from the timber sale.
d) While the physical plant, including the dry kilns were modern, the debt load vis-a-vis the equity base was onerous and the cashflow on the operation was insufficient to service the term debt payments and keep its payables current.

Faced with the conclusion of the small business timber sale, the principals of the company recognized two necessities:

i) a need to secure a continuing source of fibre at a reasonable cost, and
ii) lumber that is delivered to the remanufacturing plant needed to be cut to certain specifications for Rebco to be profitable.

The principals of Rebco cultivated a relationship with the Ditidaht First Nation which culminated in the company and the aboriginal group forming a company, Looper Creek Management Corp. (Looper) which bid on an advertised timber licence. The Ditidaht

owned 60 per cent of the shares, while Rebco owned the remaining 40 per cent. Looper was awarded a five year SBFEP TSL which provided a total of 65,574 m3 of fibre. As a condition of the sale, Looper was obligated to erect a breakdown mill through which the logs would be processed. The business plan of Looper called for the lumber to be processed to the specifications of Rebco, where it would be processed into products for export. Title to the wood remained with Looper and profits were split in accordance with share ownership. The breakdown mill was sourced in Oregon and a down payment was made by the Ditidaht First Nation. Funding was arranged and it was anticipated that the mill would be fully operational and manned by aboriginal workers upon completion by April 1998.

Despite these positive developments, Rebco's current financial difficulties were proving to be daunting. The JPC engaged a consultant, J.M. Taylor Ltd., to conduct an operational and financial review of the company to assess its future viability. The report was completed in July 1997 and the conclusions and recommendations in summary form were:

a) The joint venture was a good solution to Rebco's current fibre supply situation and would ensure the future viability of the company. The joint venture was well planned and structured.
b) Rebco had the equipment and production capacity to process the lumber supplied by the joint venture without additional capital expenditures.
c) Rebco needed financial assistance until the benefits of the joint venture began accruing. The funding would be to reduce the chartered bank's exposure, meet outstanding accounts payable and provide for working capital.

The company was at an impasse. The potential benefits that were scheduled to be available to it through the joint venture were still 6/7 months in the future. In the meantime, Rebco had to deal with the structure of its existing debt load with limited support being available from the private sector lenders. A mediation plan was structured to bridge the commencement of the Ditidaht mill.

Components of the Plan:

1. MEI agreed to provide a term loan of $296,000 to Rebco to permit it to restructure its debt and provide working capital. The loan would be at a market rate of interest and have a term of five years with interest only for the first six months. A general security agreement would be taken on the fixed assets of Rebco (book value - $1,502,229) which would rank third to charges in favour of the Bank of Montreal and Community Futures totalling $250,000 approximately.

2. Rebco Wood Products Ltd. agreed to restrict management wages paid to the shareholders to their current levels, pay no dividends, management fees to the principals or their immediate families nor allow any reduction in shareholders' loans during the time the loan remained outstanding.

3. The Bank of Montreal agreed to provide credit facilities to Rebco through a term loan of $175,000 of which $125,000 would be disbursed immediately and the

balance upon completion of the Looper Creek mill. The initial advance along with the $296,000 from the province, would enable Rebco to pay off its indebtedness to the Toronto Dominion Bank.

4. Western Economic Diversification agreed to continue providing unsecured term financing to Rebco Wood Products Ltd. which as of that date totaled $570,000.

5. Ditidaht First Nation endorsed the plan.

6. Ministry of Forests endorsed the plan.

7. Looper Creek Management Corp. endorsed the plan.

8. Community Futures Development Corporation of Alberni-Clayoquot agreed to continue providing credit facilities to Rebco through two term loans which had balances of $76,367.87 and $48,616.93.

Date Authorized: Jan. 22, 1998
Date in Force and Effect: March 24, 1998

Sonax Furniture Manufacturing Limited

Sonax Furniture Manufacturing Limited, which commenced operations in 1984, designs, engineers, markets and manufactures ready-to-assemble (RTA) furniture from its plant in Oliver and employs over 100 people. Sonax markets its products through broad distribution channels to national department stores, local retail stores, specialty chains and mail-order operations in Canada and the United States. Sonax also exports to Japan, Italy, Denmark, Argentina and Costa Rica. The company's main products are computer furniture and TV stands.

From 1992 to 1995, the company expanded its products and its customer base. Sales reached $10.6 million and profits and equity were growing. However, by late 1996 the buyout of a former shareholder, reduced sales because of the loss of his skills as sales manager, and the need to carry more inventory to meet customers' requirement for just-in-time delivery, combined to create a serious working capital deficiency.

In late 1996, the JPC was asked to review Sonax's operations and comment on the viability of the business. Simons Consulting Group was engaged by the JPC to conduct the review. They concluded that Sonax could be viable providing it undertook certain actions. Financial analysis indicated that a $2 million investment could substantially change the outlook for Sonax, and indicated a potential break-even position by the end of Aug. 1997.

Before the recommendations could be fully implemented, the business suffered severe losses, posing a threat to the future of the company. Projected sales of $11.1 million were revised downwards to $7.1 million with a loss estimated at $811,000 before depreciation in fiscal 1997. In June 1997, the consulting firm was again called upon to advise on the long term viability of Sonax and to review the latest business plan.

The consultant's report concluded that the company could still be viable if cost cutting measures were undertaken, if sales were returned to former levels, inventory was tightly controlled and additional capital was sourced to relieve some of the pressure on the operating line of credit at the chartered bank.

The company acted on the consultant's recommendations. Monthly sales moved above the break-even level of $650,000. Sonax recorded sales of $735,000 in Sept. 1997 with a profit before depreciation of $29,000. Oct. and November's sales were

expected to reach their targets of $825,000 and $1 million respectively.

On the recommendation of Simons, the capital expansion program was put on hold until the current cash crunch was alleviated.

Cost reductions commenced. The number of products carried in inventory were reduced from 130 to 70. Training, sales promotion and product development were reduced on a short term basis, until an improvement in cash flow was achieved. An inventory control system was installed, which allowed for daily monitoring of inventory level and delivery scheduling.

To improve cash flow, the company bid and was successful in acquiring a Small Business Forest Enterprise Program Sec. 21 TSL in the Kamloops area.

Financial re-structuring of the company's affairs was well underway. The company negotiated a $300,000 increase in its operating credit, bringing the authorized amount to $2.5 million. Due to the company's poor performance in 1997, the bank was not prepared to consider any further increase at that time.

As sales rose from $7 million to $10 million, there would be a corresponding need to increase inventory. If Sonax was expected to deliver products on a just-in-time for the major chains, it was estimated that inventory would have to increase by a minimum of $500,000 from $2.5 million. Provincial funding would be required for this purpose.

The purpose of this mediation plan under the *Job Protection Act* was to define what commitments were necessary from the various stakeholders to enable Sonax to return to a sound financial base and to resume normal operations.

Components of the Plan:

1. Sonax Furniture Manufacturing Limited (Sonax) agreed to continue operations during the course of the mediation plan, and to provide MEI with the security specified. They also agreed to postpone all dividend payments, repayment of shareholders' loans or any other removal of equity from the company, and defer making any advances or loans to the related companies until such time as MEI's commitments were repaid in full and/or canceled, and they agreed that there would be no repayment of funds currently advanced to Sonax by investors, until such time as those funds were replaced by other investments, without the prior written consent of the Job Protection Commissioner.

2. Poul Pedersen, Hart Buckendahl and Bill Miller agreed that there would be no divestiture or change of ownership in the shares of Sonax while the mediation plan was in force and effect, without the prior written consent of the Job Protection Commissioner. They agreed to maintain the existing level of advances to Sonax, and to maintain the existing level of guarantees with the Hong Kong Bank of Canada in support of Sonax's borrowings. Poul Pedersen agreed to continue in his role as President and Chief Executive Officer of Sonax. Hart Buckendahl agreed to continue in his role as General Manager of Sonax, and Bill Miller agreed to continue in his role as Director of Finance of Sonax.

3. The province of B.C. through MEI agreed to provide a loan in the amount of $500,000 to Sonax Furniture Manufacturing Limited to enable it to

increase inventory levels. Interest would be paid monthly. Repayment of the principal would commence in June 1998 at $8,334 per month for 60 months.

4. The province of B.C. through MoF agreed that during the period that the plan was in effect, Sonax should be provided access to fibre on a competitive basis through eligibility to the Small Business Forest Enterprise Program subject to any future policy changes.

5. Business Development Canada (BDC) was owed $250,000 by Sonax as of Aug. 31, 1997, with monthly payments of $4,000 scheduled to commence on Jan. 23, 1997. BDC agreed to defer monthly repayments of the principal amount of the loan until June 1998; and to continue providing the current level of funding to Sonax.

6. Hongkong Bank of Canada was owed approximately $3,062,398 by Sonax. The Hongkong Bank of Canada agreed to continue providing the current level of credit facilities to Sonax, providing the Bank's normal margins were honoured and interest was paid on a monthly basis. They also agreed to defer monthly repayments of the principal amount of the term loans until June 1998, subject to satisfactory quarterly reviews.

7. Community Futures Development Corporation of the Okanagan-Similkameen agreed to continue providing the current level of funding to Sonax Furniture Manufacturing Limited of approximately $74,027, and to defer monthly repayments of the principal amount of the term loans until June 1998.

8. Haynes Enterprises Ltd. agreed to continue providing the current level of funding of approximately $403,169 to Sonax Furniture Manufacturing Limited.

9. Shipco Enterprises Ltd. agreed to continue providing the current level of funding of $299,998 to Sonax Furniture Manufacturing Limited.

10. APO Enterprises Ltd. agreed to continue providing the current level of funding of approximately $328,864 to Sonax Furniture Manufacturing Limited.

11. United Brotherhood of Carpenters & Joiners, Local 2511 endorsed the plan.

Date Authorized: Oct. 28, 1997
Date in Force and Effect: Jan. 30, 1998

COUNSELLING

- Adera Nurseries Ltd.
- Biport Forest Products Ltd.
- Campbell River Mills Ltd..
- Comptec International Ltd.
- Crestbrook Forest Industries Ltd.
- Cumberland Wood Industries Ltd.
- Dezti Wood Ltd.
- Enertek Products International Inc.
- Fibreco Pulp Mill
- First Island Armoured Transport Ltd.
- Five B Produce Inc.
- Golden Specialty Wood Products & Veneer
- Imperial Lumber Limited
- Interact Holdings Ltd.
- Lilydale Food Products
- Louisiana Pacific Corporation
- Meeker Cedar Products (1967) Ltd. and West Coast Forest Products Ltd.
- Mego Wood Products (1989) Ltd.
- Milestone Wood Products Inc.
- Pacific Coast Processors
- Pacifica Papers Inc.
- Pretty's Timber Co. Ltd.
- Quinsam Coal Corporation
- Seanix Technology (Canada) Inc.
- Teeslee Forest Products Ltd. and Tanizul Timber Ltd.
- Thompson Creek Mining Ltd.

Adera Nurseries Ltd.

Adera Nurseries Ltd. is located in North Saanich, and is a wholesale nursery supplying garden outlets throughout Vancouver Island, the Lower Mainland, and the Northwestern U.S. It employs 115 people.

Adera approached the JPC for help, because its bank had appointed a receiver to restructure its finances. The company applied to Farm Credit Corporation (FCC) for $1.8 million to replace a Bank of Montreal loan. FCC was not willing to lend the money, but said they would consider 50 per cent if another lender would share pari-passu. A consultant, Lucien Lieberman, was engaged by the JPC to do a study, and the initial report indicated potential for long-term viability.

In mid 1998, unsecured creditors rejected a settlement under the Bankruptcy and Insolvency Act, and the company became bankrupt. The president attempted to buy back assets and continue operations. A mediation plan was approved in June, but two months later it collapsed because of the inability of the owner to attract sufficient investments to purchase the assets from the Trustee. The JPC had to shelve the plan until a revised strategy could be developed. The

Trustee rehired some of the former employees and began operating the nursery.

By year end, the nursery was under the management of the Trustee in Bankruptcy, with limited activity, and the Trustee was seeking possible "en bloc" buyers.

Biport Forest Products Ltd.

The Biport group of companies consists of Biport Forest Products Ltd., Logex Trading Limited and Sommerville Resources Ltd. It is located in Prince Rupert, and employs 25 people. The group is at risk of financial collapse because of a drop in log values between the time it bid on TSL A-45464 and the time it was able to log the sales. Although the company paid approximately $2.1 million in stumpage on the sale, it still owed approximately $680,000 when it approached the JPC. In addition, it was seriously in arrears with its bank, and was at risk of being placed into receivership.

The group received a partial remission on stumpage, and sold redundant assets to reduce the bank debt. Proceeds from the sale of redundant assets were disappointing. However, it appears it may be possible to separate the remaining fixed assets into logging and marine equipment, re-finance the logging equipment and then restart a limited logging operation. The goal for 1999 is to develop an economic plan that will call for the group to pay back overdue stumpage, refinance the remaining assets and/or obtain continued forbearance from its bank.

Campbell River Mills Ltd.

As a result of on-going losses this sawmill, which employed 120 people, was shut down since mid 1997. A major accounting firm had been working with the company to try to develop a restructuring plan and find financing to restart the operation, but with no success. The JPC was approached to assist in developing the restructuring and possibly to help arrange provincial government financial participation. A proposed restructuring package was received by this office and the JPC retained a consultant, Ernst & Young Finance Inc., to review the proposal. The proposal was too one-sided to be supportable, and neither FRBC nor MEI were willing to participate at the level requested.

Subsequently, the principals attempted to locate an equity player to make the restructuring package more realistic. Negotiations were pursued with two major forest products companies in hopes of obtaining equity investment and loans. Talks were unsuccessful and the company was placed into bankruptcy by its bank. However, the JPC continued to work with Ministry of Forests, the Trustee, the IWA and the principals to try to buy the assets from the Trustee and restart the operation. A prospective purchaser of the operation was identified, but the purchase of the entity as an ongoing operation fell through. The assets were sold at auction and were removed from the site.

Comptec International Ltd.

The parent company of this operation located in Surrey, was considering investing in a new plant and equipment to allow expanded operation. An alternative was to invest in its plant in Custer, Washington. Before it would make that investment, the company wanted to extend the existing contract with the Canadian Auto Workers Union (CAW) from two years to four years. At the same time, some other parts of the

contract needed to be changed. The company and the union came to an impasse, and asked the JPC to act as a mediator to allow the negotiations to be concluded.

After a series of meetings a new three-year collective agreement was signed with the CAW. Among other things, the company agreed to commence the construction of new buildings to house the machines it would move back to Canada from Custer, Washington. As a result, the 96 existing jobs were made more secure, and new jobs were created.

Crestbrook Forest Industries Ltd.

Crestbrook Forest Industries Ltd. announced a permanent shut down of its 100 employee, Cranbrook sawmill, effective Oct. 2, 1998. It had intended to commence construction of a value added facility which would employ 41 of the displaced workers. However, at the time CFI approached the JPC, it had not been able to obtain financing for the project. The JPC was asked to assist in whatever way we could to help the value added facility proceed. The JPC suggested several alternatives, including an introduction to a possible financier in Alberta. Shortly after year end, CFI was purchased by Tembec, and there was no longer any need for JPC involvement.

Cumberland Wood Industries Ltd.

The company owns a laminating plant including a finger-jointing machine and dry kiln. It primarily produced laminated wood products for the traditional Japanese housebuilding trade. The company previously employed 25 people at its Cumberland operation, but was forced to lay off most of its employees due to cash flow problems.

Due to the collapse of the Japanese laminated post and beam market, the company decided to manufacture I-joists, and sell them to the U.S. and Canada, while still keeping its capacity to produce laminated beams and do custom work for other smaller plants. The company approached the JPC for assistance in starting this, and a consultant, Nicholas Crisp & Associates, was hired to assess the viability of manufacturing the new product.

In October, creditors were pressing for immediate payment, and many were unwilling to wait for restructuring. The company sought protection by filing a notice of intention to file a proposal under the *Bankruptcy and Insolvency Act* (BIA). A first extension of notice under BIA was approved in November, and a second extension in December. By late 1998, a mediation plan was drafted, and the company was trying to raise sufficient funds to get their I-Joist certified.

Dezti Wood Ltd.

Dezti Wood Ltd. is a joint venture company, owned by Ne Dechun Forest Products Ltd. (representing the Nadleh Whut'en, Stoney Creek and Stellaquo Band), Plateau Forest Products Ltd. (a member of the Slocan Group), and Vanderhoof Specialty Wood Products. The company, located in Vanderhoof, was formed in 1995 and has a timber licence of 47,000 m3. It employs 50 people. The company approached the JPC in 1997 having suffered significant losses with the collapse of the Japanese market. The JPC engaged a consultant, J.H. Fraser & Associates Inc., to undertake a financial and operational viability review of the business. This was completed in the Fall of 1997 and

one of the recommendations was the need for a comprehensive business plan if the company was to go forward.

Subsequently in early 1998, the JPC, with the assistance of FRBC engaged another consultant, J.M. Taylor Ltd., to work with the company on developing a business plan. The plan was completed in March and presented to the board of directors. As of Dec. 31, 1998, the operation was running satisfactorily under a management contract with Vanderhoof Specialty Wood Products.

Enertek Products International Inc.

Enertek produces rock wool insulation at its plant in Grand Forks. It employs 50 people. Company management requested JPC assistance to appeal a property tax assessment, to obtain reduced electricity rates through the Power for Jobs legislation, and to obtain support for a provincial government loan or loan guarantee to assist in the purchase of the operating assets from the Australian owners. A consultant, John Auld & Associates was hired to perform a viability study, to determine whether support could be justified.

Based on the consultant's initial report, a draft economic plan was developed. The management of the company subsequently obtained private sector financing and acquired the operating assets. However, the company was unable to achieve its target sales revenues and continued to experience operating losses. Because of its disappointing performance it was not possible to support a request for provincial government assistance. As of year end the company was negotiating with the City of Grand Forks in its capacity as landlord for a deferral of property taxes. Operations were continuing on a limited scale.

Fibreco Pulp Mill

Fibreco is a Bleached-Chemi-Thermal-Mechanical Pulp (BCTMP) mill located in Taylor. It employs approximately 150 workers. Originally built by a consortium of 26 B.C. mills, the facility has changed ownership and is now essentially owned by the Slocan Group. Because of depressed pulp prices, the operation was experiencing negative cash flows and was at risk of closure. Slocan requested assistance from the JPC in developing a plan to reduce or defer costs so operations could be sustained.

At year end the JPC had retained a conultant, H&W Saunders Associates Ltd., and we were working on a draft economic plan that would request the assistance of BC Hydro, the District of Taylor, the City of Fort St. John, the province of B.C. and the workers to improve the company's cash flow.

First Island Armoured Transport Ltd.

First Island Armoured Transport Ltd. operates in Victoria, employing ten people. In April 1998, they were about to lose a contract with the provincial Liquor Distribution Branch (LDB) because of a condition in the contract which stated they needed a performance bond equal to 50 per cent of the annual contract. They couldn't get a bond because they had recently taken over the assets through the receivership of their previous employer, Pacific Armour Car Ltd. There was no history of financial statements.

The JPC spoke with the LDB and got a reprieve from the April 16, 1998 deadline to comply with regulations or lose the contract. After discussions, it was decided that the

principal of the company would get a Letter of Credit (L/C) from his bank for $25,000, giving a mortgage on his home as security. Once financial statements became available, the owner would be able to replace the L/C with a Performance Bond.

Five B Produce Inc.

This family owned business employs 50 people, grows and processes high quality herbs, edible flowers and vegetables, and is located in Surrey. The company engaged in an extensive expansion program in 1996 and 1997, as it constructed greenhouse facilities to reduce its reliance on field crops which were more susceptible to the unfavourable changes in the weather. The company ran into financial difficulty in early 1998 which resulted in it seeking protection under the Farm Debt Mediation Process.

At the request of the Ministry of Agriculture and Food, the JPC worked with the owners over the next six months culminating in the engagement of a consultant, Lucien Lieberman, in October to conduct a financial and viability assessment of the business to determine if public financial assistance was warranted. The consultant's report was completed in December, and the conclusion was that public financial assistance could not be justified. At the year end, the company was encouraged to continue efforts to seek new investment funding, and in the meantime to put a proposal to its creditors to keep the business operating.

Golden Specialty Wood Products & Veneer

Golden Specialty Wood Products & Veneer was incorporated in 1995, to purchase and harvest B.C. logs, produce high quality sliced veneer for global markets, and dimension lumber for the commodity markets. It never achieved full operating status.

While in the process of building a $3.2 million veneer slicing plant and specialty sawmill, the company ran out of available cash needed to complete the project, and as a result, was forced to shut down operations. The company needed to identify a source of $1 million in debt or equity financing. The JPC was approached for assistance in supporting a government loan to the company, to allow the completion of mill construction and support ongoing operations.

The JPC hired a consultant, Peter Drake & Associates, to comment on long term viability. The consultant was unable to make a positive determination, so we were not able to recommend a loan. By the end of 1998, the bank had called its loan and placed a receiver in charge of the assets. At year end the company was still trying to develop a new business plan, but was not having any success in finding a new investor.

Imperial Lumber Limited

Imperial Lumber is located in Surrey and employs 75 people. It offers custom cutting and drying to companies in the wood sector. The firm approached the JPC in January as it was experiencing cash flow problems in the face of decreasing revenue. This problem was largely attributable to the unfavourable economic times in the forest industry, and the fact that Imperial Lumber had historically handled the overflow of work in better times and this source had been greatly reduced in the downturn. The principals of Imperial had discussions with Canfor about securing

additional work, however, this did not come to fruition. In May, the company filed for bankruptcy with closure effective July 11, 1998.

Interact Holdings Ltd.

Interact manufactures finger joint stock from trim blocks purchased from sawmills in the East Kootenays. It has difficulty obtaining sufficient raw materials, partially because its previous major source, the Donald sawmill, has been permanently shut down, and partially because another major source indicated it would no longer supply the mill. In Jan. 1998, the JPC was asked by the company to cost share a study to quantify the available suitable fibre. A consultant was retained to do the study. He concluded that the Evans Forest Products Ltd. appurtenance clause was not providing any fibre that Interact could use, and that there was limited availability of trim ends, but that there would be ample economy grade lumber that could be obtained.

The company expanded into upgrading economy grade lumber and finger jointing white wood, and continued negotiations with Evans for fibre to trade. By year end, Interact was in discussions with MoF, requesting its assistance in obtaining residual fibre from Crestbrook Forest Industries and from Evans under the appurtenancy clause, and a forest licence of its own.

Lilydale Food Products

At the request of the Ministry of Agriculture and Food, the JPC in April contacted the company in light of the announced intention to close its chicken processing facility on Vancouver Island. The Langford plant had 100 employees. Lilydale is a co-operative comprised of chicken producers in Alberta and B.C. The management of Lilydale decided to close the money losing Vancouver Island facility and concentrate its production at its recently modernized plant in Port Coquitlam. With the cooperation of Lilydale, the JPC engaged a consultant, Foodwest & Resources Ltd., to undertake an independent financial and operational viability review of the island facility. The report was completed in June and the conclusion was that the plant closure was a sound business decision in the face of continued losses and the changing marketplace. The cessation of operations is planned for early 1999.

Louisiana-Pacific Corporation

The Chetwynd hardwood Bleached-Chemi-Thermal-Mechanical Pulp (BCTMP) mill is an environmentally friendly closed loop (no effluent) system. It employs approximately 183 workers. After several years of ongoing though decreasing losses, Louisiana Pacific (LP) wrote down the assets of the mill by $136,000,000 US in 1998, and was considering a permanent closure of the facility. The company was willing to invest in capital improvements to help bring the operation to profitability, but was no longer willing or able to sustain ongoing losses. The JPC was asked to review the situation and try to find ways to reduce the cost of producing pulp and transporting it to market.

A consultant, H&W Saunders Associates Ltd., was retained by the JPC to undertake an independent viability assessment of the operation. They confirmed that the operation appeared to be viable in the long term, but that significant losses would be incurred over the next one - two years while required

changes were made. As of the end of 1998 the JPC was working with LP and a variety of stakeholders to finalize an economic plan that will help reduce costs and allow LP to maintain operations.

Meeker Cedar Products (1967) Ltd. and West Coast Forest Products Ltd.

Meeker Cedar Products (1967) Ltd. is a family owned business producing shakes from its facility in Mission, and employs 250. The company had embarked upon a capital expansion program which left it with investments in mills in Port Alberni, Kamloops and Port McNeil. In late 1996, Meeker acquired controlling interest in West Coast Forest Products Ltd., a company which holds a forest licence in the Hope/Boston Bar area of the province. Unfortunately, shortly after the acquisition of West Coast, Japan experienced financial difficulties which impacted negatively on the economics of logging. Meeker was forced to financially subsidize West Coast, and in June 1998, the company came to the JPC for assistance. A consultant, Mel-West Consulting, was engaged to conduct a financial and operational viability assessment of both Meeker and West Coast, to determine what type of intervention might be warranted. In November, the JPC completed a draft economic plan, which at the year end remained under review by the various stakeholders.

Mego Wood Products (1989) Ltd.

Mego Wood Products is a value added company, formed in 1989 and located in Princeton. It employs 21 people. The company produces posts, rails and log furniture. It was forced to become an integrated operation to ensure that it did not depend on suppliers for critical raw material for its production. This expansion put a severe strain on its working capital. The company was operating without the benefit of an operating line of credit, with annual sales of $2.3 million, and came to the JPC for assistance in solving cash flow problems.

A consultant, Nicholas Crisp & Associates, was hired and reported that long-term viability was possible if a working capital loan could be negotiated. Provincial assistance was required to facilitate the process. By late 1998, a mediation plan was in draft form, and the company was in the process of identifying a bank that would provide a working capital loan with anticipated provincial backing.

Milestone Wood Products Inc.

Milestone Wood Products Inc. manufactured laminated wood products at its plant in Spallumcheen. The company employed approximately 90 people. On Aug. 9, 1993, the JPC authorized a mediation plan whereby the company's management, the provincial government and the Western Economic Diversification office (WED) agreed to a restructuring that included new subordinated shareholders' loans and/or equity, a restructuring of debt and the final disbursement of a WED loan. Higher than expected capital costs and lower than projected income subsequently combined to make it impossible for Milestone to meet its scheduled principal repayments to WED and the province. In January 1995 Milestone approached the JPC seeking assistance to arrange a one year deferral on these payments. A new mediation plan was

prepared and agreed to by WED and the province.

Results of operations continued to be disappointing, with the added problems of a significant reduction in demand and price in first the German and then the Japanese markets for Milestone's products. As a result, most of Milestone's existing shareholders elected to sell their interest to the Probyn Group. However, in order for the purchase of Milestone and the subsequent investment in plant, equipment and training to proceed, Probyn required certain commitments from a variety of stakeholders.

The JPC authorized a mediation plan on Feb. 4, 1998 to define, in general terms, the commitments requested of each of the participants in order that the restructuring of the operation, and the eventual re-employment of approximately 90 people, could proceed. Subsequent to authorization of the mediation plan the Probyn Group decided against an investment in Milestone, so the mediation plan was canceled.

In July 1998 the operation was closed indefinitely. At year end Milestone's principals were trying to find a new investor but no-one had been identified. Shortly after the end of 1998 the company was assigned into bankruptcy. It is too early to tell whether an en-bloc purchaser may be found, or a liquidation will proceed.

Pacific Coast Processors

During late 1997 and into mid 1998 the company underwent a $3,000,000 capital improvement program that allowed them to double their hake processing capacity at their plant located in Ucluelet. However, the project was only projected to cost $2,000,000, and the overrun used up the working capital required to buy fish. As a result, the plant, which employed 180 people, was closed in mid June and indicated that it would need provincial government assistance to start up again.

A consultant, M.C.S.I. Consulting Group, was retained to review the situation and help develop a plan so the remaining 8 - 12 weeks of the hake season would not be lost. Working with the consultant the JPC developed a way in which the province could provide support. Cabinet subsequently agreed in principle to a $1.1 million bridge loan from the province. That loan was subject to letters of credit from customers and confirmation that sufficient hake was available. However, the company was not able to secure firm orders for its product or letters of credit, so the loan was not advanced. The hake that was held back for the company was released to the offshore fleet. At year end the company was looking for new equity investors to take over the operation.

Pacifica Papers Inc.

Pacifica has a pulp and paper mill in Powell River, which employs 250 people. It works within the requirements of Waste Management Permit PA 3149, and was required to meet stricter emission standards effective Dec. 31, 1998. The cost of the required upgrades is estimated at $18-20 million. Pacifica requested a Cabinet variance allowing compliance to be delayed to the end of 2002. It claimed this would enable it to proceed with an IPO, possibly find a more cost effective way to meet the required standards, and therefore protect 250 jobs. The JPC was asked by the Ministry of Environment, Lands and Parks and the Premier's office to review the request. We were asked to provide comments on the need

for an extension of time, and the need for a Cabinet variance, as opposed to a permit amendment under the normal process.

Based on input of an independant Consultant, H&W Saunders Ltd., and a variety of factors, we recommended a two year extension to the time frame within which Pacifica must meet its emission standards. The extension could be granted using normal procedures rather than a Cabinet variance. A public meeting was held early in October in Powell River to discuss extension of the air emission permits. As a result of that process, the company was granted a two-year extension to meet new air emission standards.

Pretty's Timber Co. Ltd.

Pretty's Timber Co. Ltd. is based in Abbotsford and employs 160 people. It has been in operation since 1954. The company has an annual allowable cut of 168,500 m3, centered around the Harrison Lake area. The logging company expanded in 1993 to include value added companies. First, Snowcap Lumber Ltd. and secondly, Koebet Forest Products Ltd. In February, management of Pretty's approached the JPC as it was unable to finance the startup of logging due to the high costs and the low value of fibre. Discussions between the representatives of the company, the JPC and MoF, took place concerning the possibility of reducing costs to allow startup to commence. Subsequently, the system did produce a lower stumpage rate for operators including Pretty's, and they did startup harvesting in 1998.

Quinsam Coal Corporation

Quinsam Coal Corporation owns the Quinsam coal mine located 28 kms west of Campbell River on Vancouver Island. The mine started as an open pit mine in 1989 and was converted to an underground operation in 1994. It produces high volatile bituminous "A" coal, well suited for thermal power stations and industrial users such as cement plants, and also PCI coal (pulverized coal injection) for steel making operations. Quinsam is owned by Hillsborough Resources Limited (63 per cent) and Marubeni Coal Canada Ltd. (37 per cent). The mine has proven and probable reserves of 36 million tonnes of coal and has a target of 2 million tonnes of coal per year. The workforce in 1998 was 108.

The company experienced financial difficulties during the year as a result of significantly lower coal prices compounded by operational difficulties, lower coal production and declining productivity. The principals approached the JPC for assistance in restructuring the company's finances.

Consultants, Ernst & Young Corporate Finance Inc., were engaged to determine the viability of Quinsam's revised business plan. Completion of the review was expected in January 1999.

Seanix Technology (Canada) Inc.

Seanix is the largest Canadian owned manufacturer of personal computers, located in Richmond. It enjoyed rapid growth, but an unsuccessful attempt at expanding into the U.S. created losses that resulted in a debt/equity ratio that was unacceptable to its bank. The company approached the JPC and the Minister of Employment and Investment (MEI) for assistance in the form of a subordinated loan for $2,000,000. The company believed this loan would secure the existing 180 jobs, and allow for the creation

of an additional 70 jobs over the next three years.

Consultants, Ernst & Young Corporate Finance Inc., were engaged to do a feasibility study on Seanix. The report indicated that the operation appeared to be viable in the long term. It was decided to process a loan application directly through MEI instead of utilizing a mediation plan under the *Job Protection Act*, and no further JPC involvement was required.

Teeslee Forest Products Ltd. and Tanizul Timber Ltd.

The Teeslee sawmill is located on a reserve in Fort St. James, and is supplied fibre by another band company, Tanizul Timber Ltd., which has its own TFL with an annual allowable cut of 120,000 m3. Northwood own 20 per cent of Teeslee for which they invested $1 million. In 1998, they wanted to have their investment repaid. However, this was impossible as the business was insolvent.

The logging operation and sawmill, which employ 22 people, are the only businesses owned by the band and were the main source of employment to its members. When the company approached the JPC, all operations were shut down, suppliers were pressing for payment, and equipment financing was long overdue. Aboriginal Business Canada, a federal agency, offered to fund a study on the feasibility of the operations. The JPC suggested that Teeslee write to its creditors to advise that it was working on a restructuring plan, with the hope that the study being performed by KPMG would show long-term viability and the basis for a mediation plan.

The viability study was not encouraging, and the company started looking at alternate strategies to return employees to work, including the possibility of a joint venture. By June, Teeslee was preparing a business plan to see the survival of the logging activity, and in August they began discussions with Carrier Lumber to log their licence and to manage a new mill. The agreement also would involve the hiring and training of band members. By year end, the proposed partnership with Carrier Lumber collapsed, and the company was seeking to develop alternate strategies to create jobs.

Thompson Creek Mining Ltd.

Thompson Creek Mining Ltd. is the operator of the Endako Mine. The mine has been in operation since 1965. It is located near Highway 16, 190 kilometres west of Prince George, and employs 250 people. It is Canada's largest capacity molybdenum mine, with a throughput of 27,000 tonnes per day.

In 1998, the mine was in danger of closing because of dropping metal prices. The JPC was approached for assistance to avert the closure, and a consultant, H.A. Simons, was hired to conduct a financial and operational assessment of the mine. By year end, a draft report was submitted which indicated there could be long-term viability. The JPC began developing an economic plan under the *Job Protection Act* to help restructure the finances of the operation.

STRATEGIC INDUSTRIES

The following strategic industries, based on the cited Standard Industrial Classification (SIC), have been designated by the Lieutenant Governor-in-Council pursuant to Section 4 of the *Job Protection Act*.

SIC 0311 - Salt Water Fishing Industry

SIC 0312 - Inland Fishing Industry

SIC 0321 - Services Incidental to Fishing

SIC Major Group 04 - Logging Industry

SIC Major Group 06 - Mining Industries

SIC 1021 - Fish Products Industry

SIC 1991 - Other Textile Products Industries

SIC Major Group 25 - Wood Industries

SIC Major Group 27 - Paper and Allied Products Industries

SIC 295 - Non-Ferrous Metal Smelting and Refining Industries

SIC 302 - Fabricated Structural Metal Products Industries

SIC 324 - Truck and Bus Body and Trailer Industries

SIC 327 - Shipbuilding and Repair Industry

SIC 3281 - Boatbuilding and Repair Industry

SIC 5215 - Fish and Seafood, Wholesale

ACTS AND CHARTERS

The *Job Protection Act* affects these provincial Acts and Charters:

B.C. Railway Act
B.C. Transit Act
Economic Development Electricity Rate Act
Forest Act
Hydro and Power Authority Act
Industrial Development Incentive Act
Islands Trust Act
Land Act
Mineral Tax Act
Mineral Tenure Act
Mining Tax Act
Municipal Act
Property Transfer Tax Act
School Act
Taxation (Rural Area) Act
Utilities Commission Act
Vancouver Charter
Water Act
Workers Compensation Act